# A1 Consolidated Gold Limited

**ABN: 50 149 308 921**

# Annual Report

## 30 June 2015

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# Corporate Information

## A1 Consolidated Gold Limited

**ABN 50 149 308 921**

**Directors**

Dale Rogers – Non-Executive Chairman
Dennis Clark – Managing Director
Jamie Cullen – Non-Executive Director
Anthony Gray – Non-Executive Director

**Company Secretary**

Dennis Wilkins

**Registered Office**

C/- Herries Davidson & Co
32 Clifford Street
GOULBURN NSW 2580

Telephone: +61 2 4821 1011

**Principal Place of Business**

A1 Gold Mine
Woods Point Road
MANSFIELD VIC 3722

Telephone: +61 3 5777 8125

**Website**

www.a1consolidated.com.au

**Share Registry**

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Telephone +61 8 9315 2333
Facsimile +61 8 9315 2233

**Bankers**

ANZ Bank
190 Auburn Street
GOULBURN NSW 2580

**Auditors**

HLB Mann Judd
Level 4,
130 Stirling Street
PERTH WA 6000

**ASX Code**

AYC

# Chairman's Letter to Shareholders

On behalf of the Board of Directors of A1 Consolidated Gold Limited ("A1 Gold"), it is my pleasure to present to you our Company's Annual Report for 2015.

This year we have laid the foundations to build our Company into an emerging junior Australian gold producer.

Under the guidance of our Managing Director, Mr Dennis Clark, we have:

- Acquired the Maldon Gold Operation, with its 150,000tpa CIL gold processing facility and Union Hill underground mine from Octagonal Resources,
- Completed a Stage 1 Scoping Study for the development and mining of the 1400 Stockwork Zone at the A1 Mine, incorporating ore processing at the Maldon mill,
- Continued to extend the A1 Mine decline towards our primary production target,
- Raised $5.2 million to fund the commencement of production mining at the A1 Mine as outlined in our Stage 1 Scoping Study,
- Acquired the Eureka and Tubal Cain gold deposits in the Walhalla Goldfield, and
- Increased our Mineral Resource base within viable cartage distance of the Maldon mill (through the Maldon and Walhalla acquisitions) to in excess of 500,000 ounces of gold.

The key for our Company to unlock the significant mineral resources held in the A1 Mine was to acquire an appropriate sized and located gold processing facility. The Maldon acquisition not only provides a suitable mill for our ore processing needs, but drives down ore processing costs that we would have incurred through toll treating, and presented the opportunity to generate early cash flow from airleg stoping at the Union Hill Mine.

In March this year we achieved a major milestone for our business when we poured our first gold dore bar, weighing 4.5 kilograms and numbered AYC001. This gold bar is the first of many we plan to produce once we intersect the 1400 Stockwork Zone at the A1 Mine, and we were pleased to report pre-acquisition gold sales of $955,000 for the June quarter. These sales occurred during the period of our management control of the Maldon operation but before obtaining control on 25 June 2015. This is a credit to Dennis, your Managing Director, and his dedicated operations team at A1 and Maldon.

During the year your Board was strengthened with the addition of Jamie Cullen and Anthony Gray who bring significant expertise in finance, management, geology and operations to the Board. I welcome both Jamie and Anthony to your Board.

I would like to recognise the support that our Company has received from Patersons Securities this year in raising capital, in a difficult equity market environment, to fund our business objectives and I am delighted that Squadron Resources (formerly Minderoo Resources) has supported us with a $2 million convertible note investment.

Looking to the year ahead, our Company will remain focused on cost effectively and efficiently bringing the 1400 Stockwork Zone at the A1 Mine into production to realise the intrinsic value of this deposit. Over the next year, we will be ramping up gold production at our Maldon mill with the objective of achieving annual throughput of 150,000tpa and gold production of 30,000 ounces per annum.

On behalf of the Board I thank you, our Shareholders, for your continued support and look forward to the coming year as we move into regular and ongoing gold production.

Yours sincerely,

**Dale Rogers**

Chairman

# Review of Operations

A1 Consolidated Gold Limited (ASX:AYC) ("A1 Gold" or "the Company") is an emerging junior Victorian gold producer that is developing the A1 Gold Mine near Woods Point and the Union Hill Mine at Maldon to mine ore for processing at the Company's fully permitted 150,000 tpa Maldon gold processing plant. During August 2015 (post reporting period) the Company also entered into a binding Terms Sheet to acquire the Tubal Cain and Eureka gold deposits near Walhalla.

A1 Gold is pleased to report its activities for the year ended 30 June 2015.

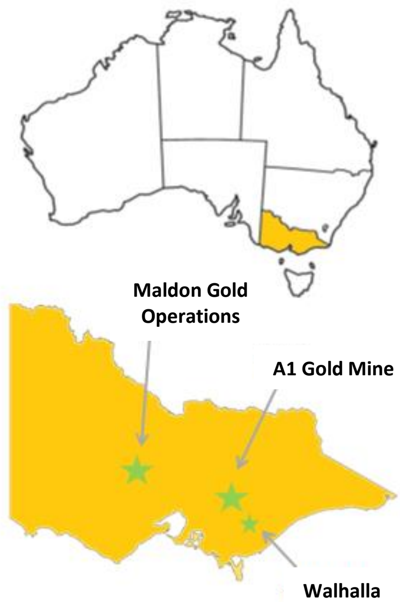



Figure 1: Location of A1 Gold's Operations

## Safety & Environment

No lost time injuries (LTI's) were recorded during the year. The Company has achieved in excess of 235,000 hours lost time injury free as at 30 June 2015.

There were no reportable environmental incidents.

## A1 Gold Mine

The A1 Gold Mine is located in the Woods Point – Walhalla Goldfield, 120 kilometres east-northeast of Melbourne, in north-eastern Victoria. The mine historically produced more than 450,000 ounces of gold at an average grade of 30 g/t Au and was one of Australia's longest operating mines, having been worked from 1861 through to 1992. Gold at the A1 Mine is hosted by quartz reefs and quartz vein stockworks located within mafic dykes that are between 30 and 60 metres wide.

A1 Gold is focused on extending the underground decline at the A1 Mine to access and mine the 1400 Stockwork Zone.

The decline is currently at the 1435RL level and approximately 200 metres from intersecting the 1400 Stockwork Zone. In July 2015 (post reporting period) mine development intersected narrow-vein high-grade gold on the 1460 Level (see 1460 Level Mining section below).

In September 2014 A1 Gold released the results of a Stage 1 Scoping Study for the A1 Gold Mine (refer to ASX Announcement dated 5 September 2014). This scoping study assumed toll treating of ore for the first year of production and construction of a gold processing facility in close proximity to the A1 Mine.

In November 2014 the Company entered into a binding Heads of Agreement to acquire Octagonal Resources Limited's ("Octagonal") Maldon Gold Operations, which include a 150,000tpa CIL gold processing plant and the Union Hill underground mine at Maldon (refer to ASX Announcement dated 24 November 2014).

In consideration A1 Gold agreed to pay $6.1 million in shares at 3.6 cents per share and issue one option for every three shares paid with an exercise price of 3.0 cents each and five year exercise period.

Following the execution of this agreement the Stage 1 Scoping Study for the A1 Gold Mine was updated to include ore processing at the Maldon gold processing plant (refer to ASX Announcement dated 13 January 2015).

## Stage 1 Scoping Study[1]

Stage 1 mining of the A1 Gold Mine stockworks is constrained to the area of the mine between 1420 RL and 1310 RL, which contains the deposits Indicated Mineral Resource (refer to Resources & Reserves Statement in this report).

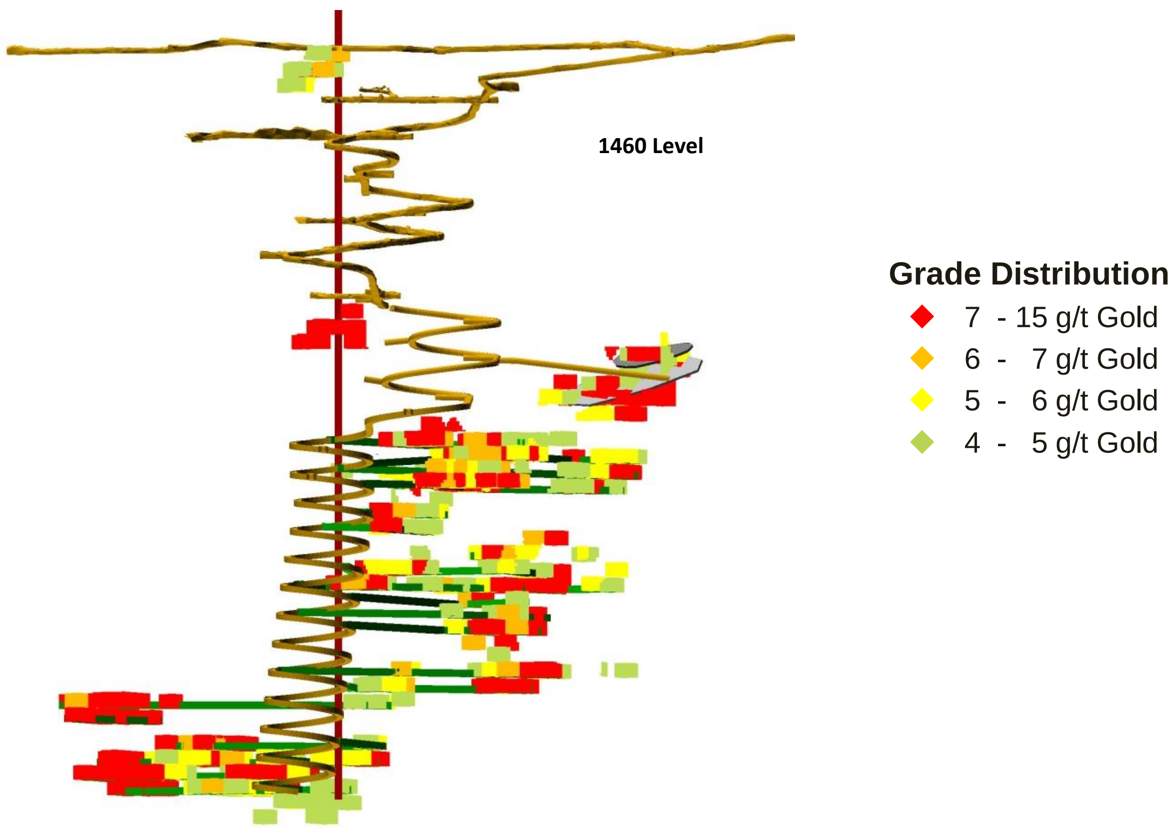
The Scoping Study was completed by independent mining consultants, Mining One, and targets 378,000 tonnes of production over a three year period. This production target equates to 67% of the Mineral Resource Estimate between the 1420 RL and 1310 RL and is made up of approximately 37% Indicated Mineral Resource and 63% Inferred Mineral Resource[1].

Following the completion of decline development to the 1420 Level stoping has been scheduled to be mined at an annual rate of 150,000 tonnes per annum grading 6.52 g/t Au to produce 30,000 ounces of gold.

The Scoping Study assumes 90% gold recovery from the Maldon gold processing plant and a gold price of A$1,300 per ounce.

Based on these assumptions, a Life of Mine Cost Model estimates an All in Sustaining Cost of A$849 per ounce gold and demonstrates the robust nature of the mineral resource.

The Stage 1 Scoping Study forms a basis for the Company's ongoing mine plans and to assess the Company's financial requirements moving into production.




(This figure is a screen capture and not to scale. It is provided for illustration purposes only.)

Figure 2. A1 Gold Mine: Long Section View of Mineral Resource Grade Distribution

**Note 1. Cautionary Statement**

The Scoping Study referred to in this report is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic production mining case at this stage or to provide certainty that the conclusions of the Scoping Study will be realised. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources or that the production target itself will be realised. This production target equates to 67% of the JORC Code 2012 compliant Mineral Resource Estimate between the 1420 RL and the 1310 RL and is made up of approximately 37% Indicated Mineral Resource and 63% Inferred Mineral Resource. During the critical first 2 years, 42% of production is from Indicated Mineral Resources.

## 1460 Level Mining

During July 2015 (post reporting period) mine development intersected narrow-vein high-grade gold on the 1460 Level (refer to ASX Announcement dated 4 August 2015).

The 1460 Level area contains a series of gold-bearing quartz reefs defined by a cluster of narrow high-grade drilling intersections including 0.2m @ 569.6 g/t Au in DDH-128, 1m @ 103.2 g/t Au in L7-0006, 0.5m @ 148.9 g/t Au in L7-0012, and 2m @ 16.1 g/t Au in A1UDH-053 (refer to ASX Announcement dated 6 May 2015). These intercepts occur within dyke and sediments.

Two structures have been intersected in the 1460 Level Access Drive (Figure 3). One is a northeast striking, east-southeast dipping structure that stems from a bedding parallel vein that was intersected in the decline, whereas the other dips 60° to the north, parallel with reefs that have been historically mined from the 1400 Level.

On the western wall, the northeast striking structure consists of one reef (0.5m wide) displaying frequent visible gold and galena rich areas. Two samples collected across this reef assayed 56.4g/t Au and 28.6g/t Au. Mining to the west has revealed that this structure is the continuation of the high grade bedding parallel vein interested in the decline and that this structure is now defined over 20 metres strike length and open to the north.

The 60° dipping structure is a distinct laminated quartz reef, with some gold and galena observed on the eastern wall and backs. A sample taken along the reef, including some minor spur veins, assayed 12.4g/t Au over 20 centimetres on the east wall. The reef on the western wall is less mineralised at floor level and assayed 1.7g/t Au.

This second reef will intersect dyke if followed to the west. If driven east, the reef will continue through a suite of altered sediments with the chance of enrichment on favourable beds.

A1 Gold is developing the 1460 level for mining while it continues to extend the decline towards the 1400 Stockwork Zone.

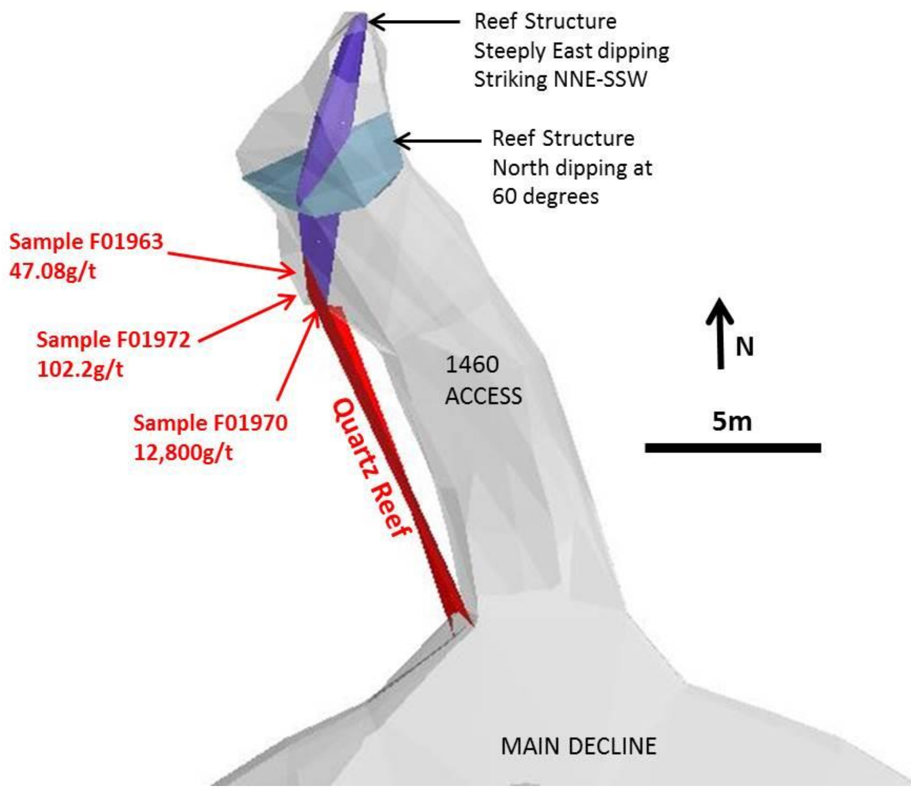



Figure 3. A1 Gold Mine: Screen Capture Plan View of 1460 Level Access Drive

# Maldon Gold Operations

The Maldon Gold Operation is located 140 kilometres northwest of Melbourne in central Victoria. The operation is centred around the Maldon gold processing plant and consists of eleven exploration and mining licences overlying the historic Maldon, Wehla, Campbelltown, Amherst, and Dunolly goldfields.

The Maldon Goldfield was historically a large primary gold producer in central Victoria (with recorded production of more than 1.7 million ounces of primary gold at an average grade of 28 g/t Au).

In November 2014 A1 Gold entered into a binding Heads of Agreement with Octagonal Resources Limited ("Octagonal") to purchase the Maldon Gold Operation. This transaction provided the Company with access to the 150,000tpa Maldon CIL gold processing plant, which is ideally suited to process ore from the A1 Gold Mine as outlined in the A1 Gold Mine Stage 1 Scoping Study (refer to A1 Gold Operation section of this report).

The Maldon Gold Operations also own the Union Hill underground mine at Maldon, which has a decline developed to the Alliance South Deposit, and a near-surface Inferred Mineral Resource at the Pearl Croydon Deposit, near Amherst, of 571,000 tonnes grading 2.9 g/t Au for 53,000 ounces of gold (refer to the Resources & Reserves Statement in this report).

A formal Share Sale Agreement for the acquisition was executed during December 2014 and in February 2015 the two companies entered into a Management Agreement whereby A1 Gold commenced early management control of the Maldon Gold Operations pending completion of the sale, which subsequently occurred during June 2015.

Under the Management Agreement the Company agreed a mining plan with Octagonal for the operation of the business during the management period. This included:

- Airleg mining and narrow vein stoping of ore from the Alliance South Deposit,
- Maintenance and improvements at the Maldon gold processing plant,
- Processing of a 5,200 tonne low-grade ore stockpile already crushed at the mill, and
- Processing of airleg mined ore from the Alliance South Deposit.

## Airleg Mining & Narrow Vein Stoping

The Alliance South Deposit is located beneath the town of Maldon and is accessed by a 2 kilometre long decline that extends from the Union Hill open pit to the deposit.

Prior to taking management control, Octagonal had developed two levels at the Alliance South Deposit (1080 and 1100 levels), but did not commenced any stope mining (Figure 4).

After taking management control A1 Gold developed two airleg rises between the 1080 and 1100 levels and mined its first narrow vein 1080 Stope (Figure 5). This stope was between 1.0 metres and 1.5 metres wide and was developed on the western gold-bearing reef over its full distance. A total of 617 tonnes of ore was mined and reconciled to produce an average grade of 8.4 g/t Au (refer to ASX Announcement dated 31 July 2015).

A strong reef structure remains at the southern end of the stope and will be mined during the second half of 2015.

Three airleg rises were also developed on the western lode above the 1100 level in an area of high-grade backs channel sampling. These rises were developed up-dip from the initial 1080 Stope to a maximum height of 9 metres.

Between these three rises a trial longhole stope was developed, producing 565 tonnes of ore estimated to average 6.8 g/t Au.

## Ore Processing

On 3 March 2015 A1 Gold commenced ore processing activities at the Maldon Gold Operation. Before re-commencing operations a mill improvement program was completed that upgraded and repaired several areas of the mill in anticipation of increased tonnage and gold production when mining of the 1400 Stockwork Zone commences at the A1 Gold Mine. The primary area of work focused on the grinding circuit where the mill trunnion and pinion bearings were replaced.

The Company re-commissioned the mill and commenced ore processing operations using low-grade ore stockpiled at the mill and on 25 March 2015 produced its first gold dore bar, weighing 146.3 ounces (4.552 kilograms) and numbered AYC001.

6,573 dry tonnes of ore from the Alliance South Deposit was processed during the year, comprising 5,256 tonnes grading 2.0 g/t Au of low-grade development ore and 1,317 tonnes grading 8.4 g/t Au of stope ore. Gold recovery averaged 90% and produced 19.47 kilograms of gold, which was sold at an average gold price of A$1,526 per ounce.

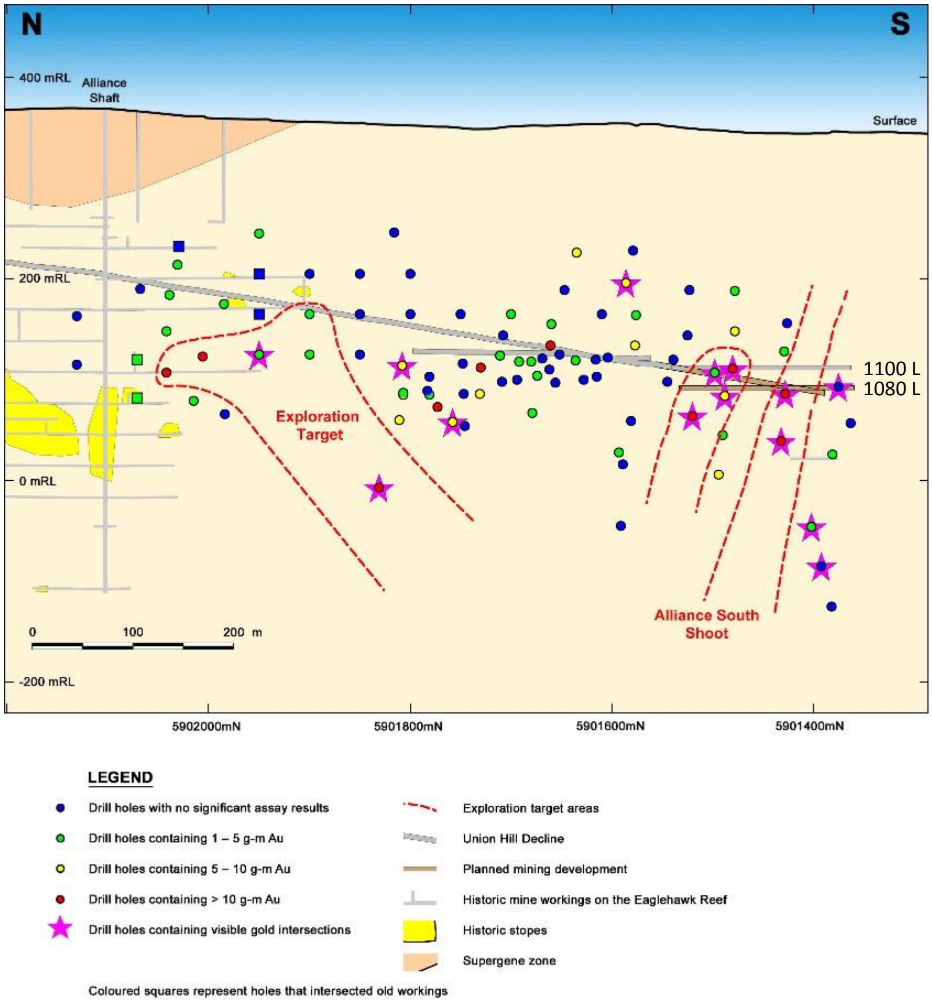



Figure 4. Eaglehawk Reef: Longsection showing position of Union Hill Decline relative to the Alliance South Shoot

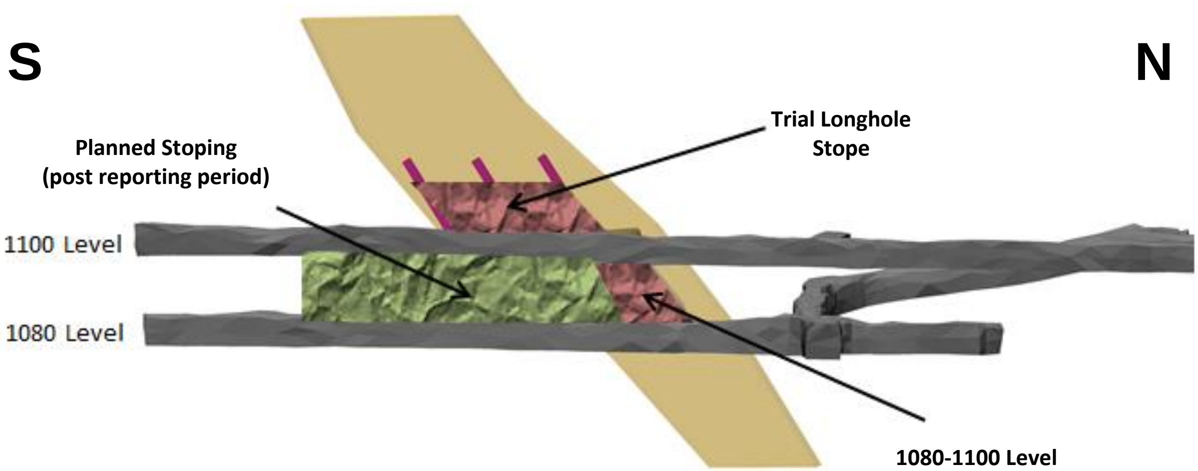



Figure 5. Alliance South Deposit: Western Reef Long section of the 1100 Level and 1080 Level Stoping Areas

## Walhalla Project Acquisition

During August 2014 A1 Gold entered into an Option Agreement with Orion Gold NL (“Orion”) to acquire Orion’s Walhalla tenements (refer to ASX Announcement dated 29 August 2014). This agreement expired on 31 July 2015, however on 11 August 2015 (post reporting period) A1 Gold announced to the ASX that it had entered into a binding Terms Sheet with Orion to acquire mining licence MIN 5487 for total consideration of $850,000.

Mining licence MIN 5487 is located in the Woods Point – Walhalla Goldfield, 150 kilometres east of Melbourne, and overlies the Eureka and Tubal Cain gold deposits.

Staged payment terms for the purchase include $50,000 cash paid on execution of the Terms Sheet, $300,000 paid through the issue of shares at 3.838 cents each on completion of the sale (being no later than 30 November 2015), and a 2% net smelter royalty on the sale of gold recovered from the tenement to a value of $500,000 (with any unpaid amount becoming payable after 36 months).

The Tubal Cain and Eureka gold deposits are predominantly dyke-hosted, with visible and disseminated gold associated with parallel ladder veins similar to the A1 Gold Mine. Eureka was mined from 1867 to 1915 to a depth of approximately 150 metres and produced 70 kilograms of gold, whereas Tubal Cain was worked from 1866 to 1911 to a depth of 100 metres and produced 120 kilograms of gold.

The deposits have a combined Inferred Mineral Resource of 1,085,000 tonnes grading 4.93 g/t Au for 172,100 ounces of gold (Table 1).

**Table 1.**
**MIN 5487 - Mineral Resource Estimate (January 2014)[1, 2]**

| Deposit | Inferred | | |
|---|---|---|---|
| | Tonnes | Au g/t | Ounces Au |
| Tubal Cain | 932,000 | 4.10 | 122,900 |
| Eureka | 153,000 | 9.90 | 49,200 |
| **Total** | **1,085,000** | **4.93** | **172,100** |

Note 1. MIN 5487 is being purchased by A1 Gold, subject to a binding Terms Sheet announced to the ASX on 11 August 2015. Transfer of 100% equity in the tenement is expected to occur before 30 November 2015.

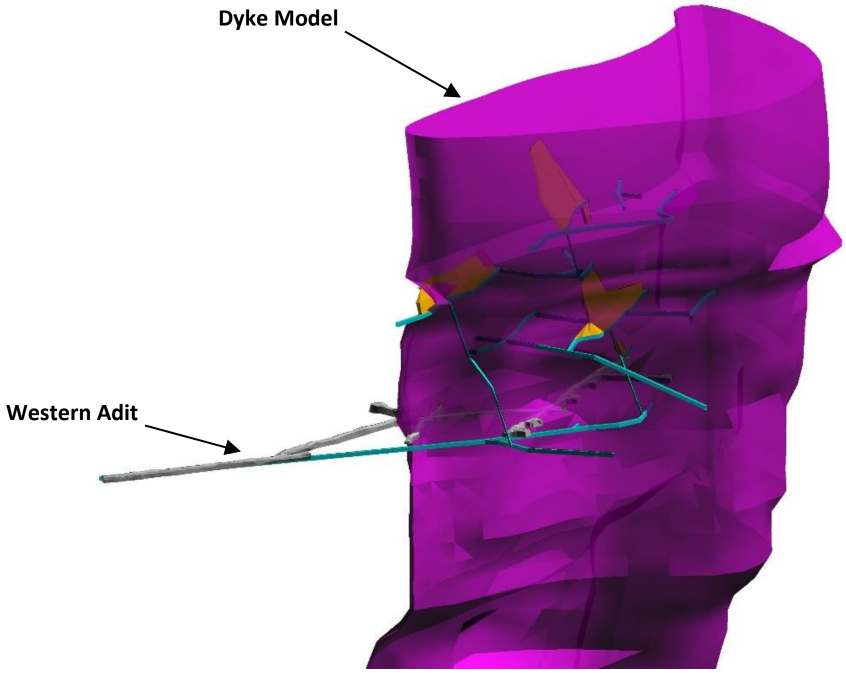
Note 2. Refer to Orion Gold NL (ASX: ORN) ASX Announcement dated 31 January 2014. The Company is not aware of any new information or data that materially affects the information provided in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

During the option period exploration work completed by A1 Gold concentrated on the Eureka Mine with the objective of identifying a near term mining opportunity. This exploration program included accessing the Western Adit and sampling exposed underground reefs, reviewing all historic mining and drilling data, and constructing a detailed 3D model of all the quartz reef structures in the mine area.

Two diamond holes (EUSDH-001 and EUSDH-001W1) were drilled to test for gold-bearing quartz reef above the Western Adit Level, adjacent to the historic mine workings (refer to ASX Announcement dated 11 August 2015). These holes intersected gold-bearing quartz reef within the targeted zone, along with many other mineralised reefs structures (Figure 7).

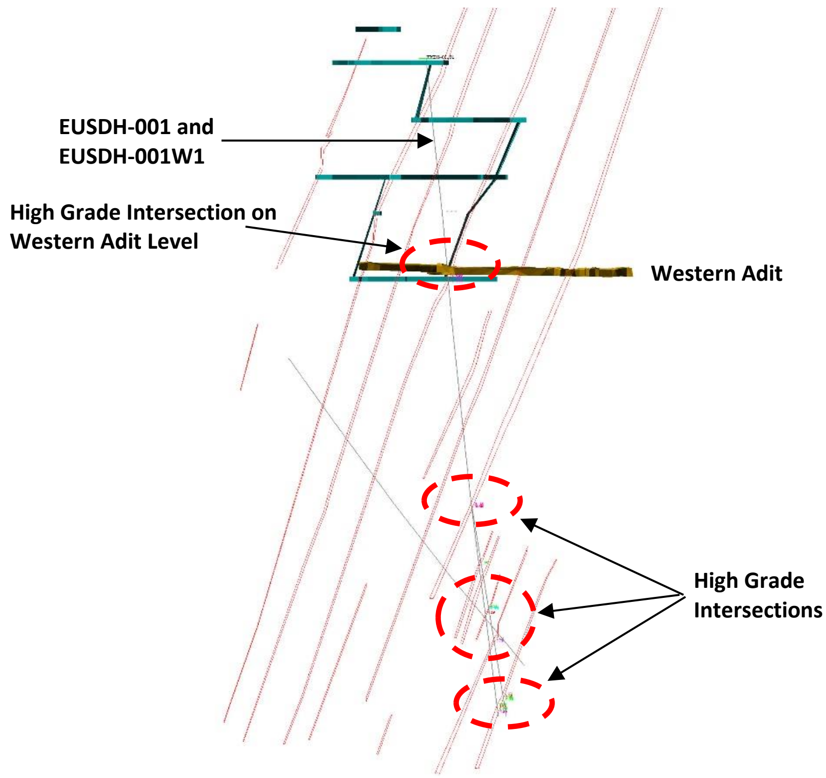
A total of 9 reefs were intersected in EUSDH-001 and 4 reefs in EUSDH-001W1 including the E3 reef in EUSDH-001 that returned 3.2 metres @ 10 g/t Au within the main target zone on the Western Adit Level.

A1 Gold plans to develop and mine narrow-vein high-grade gold at the Eureka Deposit for processing at its Maldon gold processing plant. Upon completion of the purchase a Mining Work Plan will be lodged with the Victorian Government to provide for the commencement of underground mining in the already developed Western Adit area.




(This figure is a screen capture and not to scale. It is provided for illustration purposes only.)

Figure 6. Isometric View of the Western Adit and Eureka Dyke Model




(This figure is a screen capture and not to scale. It is provided for illustration purposes only.)

Figure 7. Oblique Section View of diamond holes EUSDH-001 and EUSDH-001W1 showing reef development

# Summary of Tenements

| Tenement Reference | Equity | Status | Holder |
|---|---|---|---|
| **Woods Point – Walhalla Goldfield (Victoria)** | | | |
| MIN 5294 | 100% | Granted | A1 Consolidated Gold Limited |
| EL 5109 | 100% | Granted | A1 Consolidated Gold Limited |
| MIN 5487 | 0%[1] | Granted | Orion Gold NL |
| **Maldon Goldfield (Victoria)** | | | |
| EL 3422 | 100% | Granted | Maldon Resources Pty Ltd |
| EL 5177 | 100% | Granted | Maldon Resources Pty Ltd |
| EL 5499 | 100% | Granted | Maldon Resources Pty Ltd |
| MIN 5146 | 100% | Granted | Maldon Resources Pty Ltd |
| MIN 5528 | 100% | Granted | Maldon Resources Pty Ltd |
| MIN 5529 | 100% | Granted | Maldon Resources Pty Ltd |
| **Wehla Goldfield (Victoria)** | | | |
| MIN 5433 | 100% | Granted | Matrix Gold Pty Ltd |
| MIN 5574 | 100% | Application | Matrix Gold Pty Ltd |
| **Campbelltown Goldfield (Victoria)** | | | |
| MIN 5464 | 100% | Granted | Highlake Resources Pty Ltd |
| **Amherst Goldfield (Victoria)** | | | |
| MIN 5465 | 100% | Granted | Highlake Resources Pty Ltd |
| **Dunolly Goldfield (Victoria)** | | | |
| MIN 5563 | 100% | Granted | Highlake Resources Pty Ltd |

Note 1. MIN 5487 is being purchased by A1 Gold, subject to a binding Terms Sheet announced to the ASX on 11 August 2015. Transfer of 100% equity in the tenement is expected to occur before 30 November 2015.

# Resources & Reserves Statement

The following statement of Mineral Resources and Ore Reserves confirms to the Australasian Code for Reporting Exploration, Mineral Resources and Ore Reserves (JORC Code) 2012 Edition. All tonnages reported are dry metric tonnes. Minor discrepancies may occur due to rounding to appropriate significant figures.

### Mineral Resources

Mineral Resources Estimate at 30 June 2015.

| | Measured | | | Indicated | | | Inferred | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | kt | g/t Au | koz | kt | g/t Au | koz | kt | g/t Au | koz | kt | g/t Au | koz |
| **A1 Gold Mine[2]** | - | - | - | 250 | 5.1 | 41.2 | 1,170 | 6.4 | 240 | 1,420 | 6.2 | 281.2 |
| **Pearl Croydon[3]** | - | - | - | - | - | - | 571 | 2.9 | 53 | 571 | 2.9 | 53 |

Note 2. Refer to ASX Announcement dated 12 May 2014. The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

Note 3. Refer to Octagonal Resources Limited (ASX: ORS) ASX Announcement dated 20 January 2014. The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed.

### Ore Reserves

The Company did not hold any Ore Reserves at 30 June 2015.

## Comparison Against Previous Year

### Mineral Resources

Mineral Resources Estimate 30 June 2014.

| | Measured | | | Indicated | | | Inferred | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | kt | g/t Au | koz | kt | g/t Au | koz | kt | g/t Au | koz | kt | g/t Au | koz |
| **A1 Gold Mine** | - | - | - | 250 | 5.1 | 41.2 | 1,170 | 6.4 | 240 | 1,420 | 6.2 | 281.2 |

### Ore Reserves

The Company did not hold any Ore Reserves at 30 June 2014.

## Discussion

On 25 June 2015 A1 Gold purchased the Maldon Gold Operations, which include the Pearl Croydon Deposit, from Octagonal Resources Limited. The difference between A1 Gold's 2014 and 2015 Mineral Resource Statements are a result of this purchase.

## Governance Arrangements & Internal Controls

A1 Gold maintains an internally audited drilling data base for all projects at its A1 Gold Operation and Maldon Gold Operations that is backed up on a regular basis. Company geologists are responsible for collecting drilling data and entering it into the drilling database and the Exploration Manager is responsible for the auditing and integrity of the drilling database.

Interpretation of drilling data is supported by detailed surface geological mapping, open pit mine mapping, and underground mine mapping.

The Mineral Resource estimate for the A1 Gold Mine was calculated by Mr David Williams, who is an employee of CSA Global Pty Ltd. CSA Global Pty Ltd is an independent consultant to the Company.

The Mineral Resource estimate for the Pearl Croydon Deposit was calculated by Mr Anthony Gray, who is a Director of the Company. This Mineral Resource estimate was initially calculated by Mr Gray in 2010 when he was an employee of Gandel Metals Pty Ltd. The Mineral Resource estimate was re-reported by Mr Gray in compliance with the 2012 Edition of the JORC Code in January 2014. At this time Mr Gray was an employee of Octagonal Resources Limited and not a Director of A1 Gold.

It is expected that all future Mineral Resources and Ore Reserves will be estimated by an independent consultant under the supervision of A1 Gold staff, or by A1 Gold staff with appropriate internal review.

# Competent Person Statements

The information in this report that relates to Exploration Results is based on information compiled by Mr David Sharp who is a member of The Australian Institute of Geoscientists. Mr Sharp is a full time employee of A1 Consolidated Gold Limited, and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Sharp has given his consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to the A1 Gold Mine Mineral Resource is extracted from the summary report entitled "A1 Consolidated Gold, Mineral Resource Estimate" prepared by CSA Global Pty Ltd included in the Company's ASX announcement dated 12 May 2014 (May Announcement) and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the May Announcement and that all material assumptions and technical parameters underpinning the estimates in the May Announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original May Announcement.

The information in this report that relates to the Pearl Croydon Mineral Resource is based on information compiled by Mr Anthony Gray, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Gray is a non-executive director of the company. Mr Gray has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gray consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

# Forward Looking Statements

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the mining industry, expectations regarding gold prices, exploration costs, production costs and other operating results, growth prospects and the outlook of A1 Consolidated Gold Limited's operations contain or comprise certain forward looking statements regarding A1 Consolidated Gold Limited's exploration & development operations, economic performance and financial condition. Although A1 Consolidated Gold Limited believes that the expectations reflected in such forward-looking statements are reasonable; no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes that could result from future acquisitions of new exploration properties, the risks and hazards inherent in the mining business (including industrial accidents, environmental hazards or geologically related conditions), changes in the regulatory environment and other government actions, mine development and operating risks, delays in obtaining governmental approvals or financing or in the completion of development or construction activities, discrepancies between actual and estimated production, risks inherent in the ownership, exploration and operation of or investment in mining properties, fluctuations in gold prices and exchange rates and business and operations risks management, as well as generally those additional factors set forth in our periodic filings with ASX. A1 Consolidated Gold Limited undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

# Directors' Report

Your directors submit the annual financial report of the Group consisting of A1 Consolidated Gold Limited (**"A1 Gold"** or "**Company"**) and the entities it controlled for the financial year ended 30 June 2015. 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:

### Dale Rogers (Non-Executive Chairman): Appointed 24 November 2014

Mr Dale Rogers has over 30 years experience in the mining industry, commencing in Kalgoorlie and Kambalda in the 1980's where he managed several underground mines for WMC Ltd before moving to the new project development of WMC's Mt Keith Operations during the pre-strip and the first year of ore production in the mid-1990's. At the time, this was the largest contractor earthmoving operation by volume in the southern hemisphere. Since then he has developed and managed both underground and open cut operations in Australia, Africa and South America in operations and subsequently in Executive and Corporate roles. Mr Rogers is a member of the Group's audit committee.

Directorships held in other listed entities during the last three years:

Currently a founding director and Chairman of ASX listed companies Phoenix Gold Ltd and Primary Gold Ltd.

### Dennis Clark (Managing Director)

Mr Dennis Clark has 40 years experience in underground mining, with extensive knowledge of mine development, installation of surface infrastructure and treatment plants. He is the holder of a Mine Managers Certificate of Competency (Vic) and has managed and operated several narrow vein gold projects.

For the past 26 years, Mr Clark has been a mining contractor and has undertaken mine development projects in Victoria and NSW. Mr Clark has been the driving force behind the re-development of the A1 Gold Mine and is intimately familiar with the mine workings and geology.

No directorships of other listed entities were held in the last three years.

### Jamie Cullen (Non-Executive Director): Appointed 1 May 2015

Mr Jamie Cullen is a qualified Chartered Accountant who has spent the last 20 years as CEO of two listed companies, each commencing in Microcap space and growing significantly in market capitalisation before being taken over (PCH Group Ltd from $1m to $260m and Resource Equipment Ltd from less than $5m to $115m).

He has extensive commercial and practical experience in growing businesses domestically and internationally, both organically and through acquisitions.

Mr Cullen also has considerable financial and corporate governance experience and has served as a director of several listed companies. Mr Cullen is the chairperson of the Group's audit committee.

Directorships held in other listed entities in the last three years:

Currently a director of Pacific Energy Ltd, formerly a director of Resource Equipment Ltd.

### Anthony Gray (Non-Executive Director): Appointed 25 June 2015

Mr Anthony Gray is a geologist and the founding Managing Director of Octagonal Resources Ltd. Anthony has extensive experience in the exploration, discovery, and definition of gold and base metal deposits within Australia, focussing on the development of greenstone and slate belt hosted gold deposits within Victoria and Western Australia.

Mr Gray is a Member of the Australian Institute of Geoscientists and a Competent Person as defined in the 2012 Edition of the JORC Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves for gold and base metal deposits. Mr Gray is a member of the Group's audit committee.

Directorships held in other listed entities in the last three years:

Currently the founding Managing Director of Octagonal Resources Ltd.

**Dennis Wilkins (Company Secretary)**

**(Non-Executive Director): Appointed 24 November 2014 and resigned 11 May 2015**

Mr Dennis Wilkins is an accountant who has been a director, company secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years. Mr Wilkins previously served as the Finance Director and Company Secretary for a mid-tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to, Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Mr Wilkins has extensive experience in capital raising specifically for the resources industry and is the principal of DW Corporate which provides advisory, funding and administrative management services to the resource sector.

Directorships held in other listed entities in the last three years:

Currently a director of Key Petroleum Ltd, Mawson West Ltd, Shaw River Manganese Ltd and an alternate director of Middle Island Resources Ltd. Former director of Duketon Mining Ltd and Minemakers Ltd.

**Ashok Parekh (Former Non-Executive Chairman)**

Mr Ashok Parekh resigned as Non-Executive Chairman on 24 November 2014.

**Morrie Goodz (Former Non-Executive Director)**

Mr Morrie Goodz resigned as Non-Executive Director on 24 November 2014.

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

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

| Directors | Number of fully paid ordinary shares | Number of options over ordinary shares |
|---|---:|---:|
| Dale Rogers | Nil | Nil |
| Dennis Clark | 24,149,154 | 9,989,497 |
| Jamie Cullen | 1,129,760 | 1,575,000 |
| Anthony Gray | Nil | Nil |

## Principal Activities

The principal activities of the Company during the year were gold exploration, development and mining activities within central and eastern Victoria.

## 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.

## Operating results for the year

The operating loss after income tax of the Company for the year ended 30 June 2015 was $14,071,900 (2014: $997,491). Summarised operating results are as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Revenue | Results | Revenue | Results |
| Revenues and (loss) before income tax expense | $24,658 | $(14,071,900) | $78,721 | $(997,491) |

## Significant changes in the state of affairs

In November 2014 A1 Gold entered into a binding Heads of Agreement with Octagonal Resources Ltd ("Octagonal") to purchase all of the shares in Maldon Resources Pty Ltd, Highlake Resources Pty Ltd, and Matrix Gold Pty Ltd (referred to as the Maldon Gold Operation), which held all of Octagonal's Victorian mining, ore processing, and exploration assets.

In consideration, A1 Gold issued to Octagonal $6.1 million in ordinary shares (169,672,726 AYC shares at 3.6 cents each) and one option for every three shares issued (56,557,576 AYCO options) with an exercise price of 3.0 cents each and a five year exercise period, valued at $1.4 million.

A formal Share Sale Agreement was executed during December 2014 and in February 2015 A1 Gold entered into a Management Agreement whereby the Company commenced early management control of the Maldon Gold Operation pending completion of the sale, which subsequently occurred on 25 June 2015.

On 24 April 2015 A1 Gold announced that it had executed a Terms Sheet and received commitments for a placement of convertible notes (with attaching AYCO options on a 1:3 basis) to raise $2.5 million to fund its exploration and mining activities. These convertible notes were subsequently issued on 25 June 2015, with $2.0 million placed to Squadron Resources Pty Ltd (formerly Minderoo Resources Pty Ltd).

Terms of the convertible notes are detailed in an ASX Announcement dated 13 May 2015. In summary, the convertible notes have an issue price of $0.035 and mature 3 years from the issue date. The convertible notes may be convertible at the option of the holder at any time after issue and up to the maturity date on a one for one basis. Each convertible note accrues interest at a rate of 12.5%pa and interest is payable quarterly in arrears by the Company (with an option for interest to be paid through the issue of shares in the Company at the election of the holder).

The Company may, subject to the holders' rights to convert the convertible notes, elect to redeem all of the outstanding convertible notes after 18 months by paying an early redemption premium of an additional 50% of the face value of the convertible notes and any accrued and unpaid interest. At maturity, the Company will redeem all outstanding convertible notes at 100% of the issue price plus any accrued unpaid interest.

The convertible notes are secured by a first ranking general security agreement over all the assets of the Company together with a first ranking mortgage over all of A1 Consolidated Gold Limited's tenements and certain mining licences held by Maldon Resources Pty Ltd and Highlake Resources Pty Ltd.

## Matters subsequent to the end of the financial year

In August 2015 A1 Gold entered into a binding Terms Sheet with Orion Gold NL ("Orion") to acquire mining licence MIN 5487, in the Walhalla Goldfield, that overlies the Eureka and Tubal Cain gold deposits.

In consideration, A1 Gold paid $50,000 on execution of the Terms Sheet. The Company will also issue to Orion $300,000 in ordinary shares (7,816,285 AYC shares at 3.838 cents each) on the completion date (being no later 30 November 2015), and pay a 2% net smelter royalty on gold produced from the tenement to the value of $500,000 with any outstanding amount becoming payable after three years.

## Likely developments and expected results of operations

The consolidated entity reasonably expects the following activities to occur over the next 12 months:

- Underground development and mining at the A1 Gold Mine, Alliance South Deposit, and Eureka Deposit.
- Processing of ore from the A1 Gold Mine, Alliance South Deposit, and Eureka Deposit.
- Resource definition drilling at the A1 Gold Mine.

Additional comments on expected results of certain operations of the consolidated entity are included in this Annual Report under the Review of Operations on pages 3 - 11.

## Environmental legislation

The Company's operations must be conducted in accordance with the Mineral Resources (Sustainable Development) Act 1990 (MRSDA). To the best of the directors' knowledge, the Company has complied with the MRSDA.

As part of the process for obtaining a Registered Mine Plan under the MRSDA, there is a section on Environmental Management which requires the following matters to be addressed:

- cultural heritage management;
- surface and groundwater management;
- air blast and vibration;
- noise;
- dust;
- waste management;
- recording of data; and
- monitoring program.

The Company has complied with all of the above mentioned requirements in accordance with the Registered Mine Plan.

## Indemnification and insurance of Directors and Officers

The Company has agreed, by entering into deeds of access, indemnity and insurance with each of the directors and the Company Secretary, to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During or since the financial year, the company has paid premiums insuring all the directors and the Company Secretary of A1 Consolidated Gold Limited against costs incurred in defending proceedings for conduct involving:

a) a wilful breach of duty; or
b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was $10,473.

## Remuneration report

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of A1 Consolidated Gold Limited for the financial year ended 30 June 2015. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

### Key Management Personnel

The directors and other key management personnel of the Company during or since the end of the financial year were:

| **Directors** | | |
|---|---|---|
| Dale Rogers | (appointed 24 November 2014) | Chairman (non-executive) |
| Dennis Clark | | Managing Director |
| Jamie Cullen | (appointed 1 May 2015) | Director (non-executive) |
| Anthony Gray | (appointed 25 June 2015) | Director (non-executive) |
| Ashok Parekh | (resigned 24 November 2014) | Chairman (non-executive) |
| Morrie Goodz | (resigned 24 November 2014) | Director (non-executive) |
| Dennis Wilkins | (appointed 24 November 2014) (resigned 11 May 2015) | Director (non-executive) |

Except as noted, the named persons held their current positions for the whole of the financial year and since the financial year.

## Remuneration Philosophy

The Remuneration Committee consists of Mr Jamie Cullen as Chairman and Mr Dale Rogers. The remuneration policy of A1 Consolidated Gold Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives. The board of A1 Consolidated Gold Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company.

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

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

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

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

Where required, the executive directors and executives receive a superannuation guarantee contribution required by the government, which from 1 July 2014 is 9.5%, and do not receive any other retirement benefits.

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

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

### Performance based remuneration

The employment agreements the Company has entered into with the executive directors allow for the payment of bonuses as determined by the board from time to time. No bonus payments were made during the year ended 30 June 2015.

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

No relationship exists between shareholder wealth, director and executive remuneration and Company performance due to the infant stage of the Company's operations.

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

| | 2015 $ | 2014 $ |
|---|---:|---:|
| Revenue | 24,658 | 78,721 |
| Net loss | (14,071,900) | (997,491) |
| Loss per share (cents) | (5.9) | (0.61) |
| Share price at year end (cents) | 3.2 | 5.5 |

No dividends have been paid.

### Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 30 June 2015.

### Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Company are set out in the following table. The key management personnel of the Company include the directors as set out on pages 12 and 13.

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

## Remuneration of Key Management Personnel

Key Management Personnel remuneration for the year ended 30 June 2015

| | Short-term employee benefits | | Post-employment benefits | | Equity | | |
|---|---|---|---|---|---|---|---|
| **30 June 2015** | Salary & fees $ | Non-monetary benefits $ | Termination Payment $ | Superannuation $ | Share options $ | Total $ | Percentage Performance Related % |
| **Directors** | | | | | | | |
| Dale Rogers (Appointed 24/11/14) | 39,954 | - | - | 3,796 | - | 43,750 | - |
| Dennis Clark | 270,000 | - | - | 18,110 | - | 288,110 | - |
| Jamie Cullen (Appointed 1/05/15) | 6,667 | - | - | 633 | - | 7,300 | - |
| Anthony Gray (Appointed 25/06/15) | 667 | - | - | 63 | - | 730 | - |
| Ashok Parekh (Resigned 24/11/14) | - | - | - | - | - | - | - |
| Morrie Goodz (Resigned 24/11/14) | - | - | - | - | - | - | - |
| Dennis Wilkins (Appointed 24/11/14) (Resigned 11/05/15) | 15,221 | - | - | 1,446 | - | 16,667 | - |
| **Total Key Management Compensation** | **332,509** | **-** | **-** | **24,048** | **-** | **356,557** | **-** |

No member of key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

**Remuneration of Key Management Personnel**

Key Management Personnel remuneration for the year ended 30 June 2014

| | Short-term employee benefits | | | | Post-employment benefits | | Equity | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **30 June 2014** | Salary & fees $ | Amount Waived (i) $ | Non-monetary benefits $ | Termination Payment $ | Superannuation $ | Amount Waived (i) $ | Share options $ | Share Based Payment Premium (ii) $ | Total $ | Percentage Performance Related % |
| **Directors** | | | | | | | | | | |
| Ashok Parekh | 102,412 | (122,714) | - | - | - | - | - | 31,728 | 11,426 | - |
| Dennis Clark | 270,000 | (270,000) | - | - | 17,774 | (16,470) | - | - | 1,304 | - |
| Morrie Goodz | 46,431 | (10,925) | - | - | - | - | - | 5,468 | 40,974 | - |
| Peter Chen (Appointed 1/10/13) (Resigned 12/6/14) | 28,000 | - | - | - | 2,590 | - | - | - | 30,590 | - |
| Darren Russell-Croucher (Resigned 30/9/13) | 55,000 | - | - | - | 4,117 | - | - | - | 59,117 | - |
| Glenn Wardle (Resigned 30/9/13) | 25,000 | - | - | 25,000 | 4,625 | - | - | - | 54,625 | - |
| Jeffrey Williams (Resigned 30/9/13) | 12,500 | - | - | - | 1,156 | - | - | 10,576 | 24,232 | - |
| **Total Key Management Compensation** | **539,343** | **(403,639)** | **-** | **25,000** | **30,262** | **(16,470)** | **-** | **47,772** | **222,268** | **-** |

(i) Amount Waived – To place the Company into an improved financial position the Company Directors waived outstanding salary, superannuation, directors fees and technical fees.

(ii) Part of the outstanding amounts owed for directors fees, superannuation and technical fees were settled by the issue of shares in the Company at a value of $0.116 per share. As the fair value of the shares was $0.152 per share at the grant date there was in effect a share based payment premium of $0.036 per share. The total amount for each director is shown above.

No member of key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

## Key Management personnel equity holdings

Fully paid ordinary shares

| 30 June 2015 | Balance at beginning of year Number | Granted as compensation Number | Received on exercise of options Number | Net change other Number | Balance at end of year or at date of resignation Number | Balance held nominally Number |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| D C Rogers | - | - | - | - | - | - |
| D J Clark | 9,762,226 | - | - | 14,386,928 | 24,149,154 | 6,710,002 |
| J Cullen | - | - | - | 1,129,760 | 1,129,760 | - |
| A R Gray | - | - | - | - | - | - |
| D Wilkins | - | - | - | - | - | - |
| A A Parekh | 7,776,784 | - | - | 3,702,002 | 11,478,786 | - |
| M D Goodz | 2,442,805 | - | - | - | 2,442,805 | - |
| **Total** | **19,981,815** | **-** | **-** | **19,218,690** | **39,200,505** | **6,710,002** |

| 30 June 2014 | Balance at beginning of year Number | Granted as compensation Number | Received on exercise of options Number | Net change other Number | | Balance at end of year or at date of resignation Number | Balance held nominally Number |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| A A Parekh | 6,030,566 | 881,331 | - | 864,887 | | 7,776,784 | 2,600,000 |
| D J Clark (i) | 37,921,059 | - | - | (28,158,833) | (ii) | 9,762,226 | 3,578,668 |
| M D Goodz | 2,100,000 | 151,895 | - | 190,910 | | 2,442,805 | - |
| D Russell-Croucher (i) | 37,226,724 | - | - | - | | 37,226,724 | 3,001,000 |
| G L Wardle | 673,667 | - | - | - | | 673,667 | 7,000 |
| J W Williams | 2,000,000 | - | - | - | | 2,000,000 | - |
| P Chen | - | - | - | - | | - | - |
| **Total** | **85,952,016** | **1,033,226** | **-** | **(27,103,036)** | | **59,882,206** | **9,186,668** |

(i) Shareholdings include 33,333,333 ordinary shares held by Gaffney's Creek Gold Mine Pty Limited which is wholly owned by the A1 Consolidated Unit Trust (A1 Unit Trust). A1 Unit Trust has 10 unitholders, each holding a 10% interest and Mr Clark and Mr Russell-Croucher are unitholders and also directors of its Trustee company, A1 Consolidated Pty Limited.

(ii) Mr Clark and Mr Russell-Croucher retain an indirect interest in the 33,333,333 ordinary shares held by Gaffney's Creek Gold Mine Pty Limited as trustee for the A1 Consolidated Unit Trust. However, they are not of the view that that interest constitutes a relevant interest within the meaning of Section 9 of the Corporations Act. Both Mr Clark's and Mr Russell-Croucher's holdings have been amended to reflect this change.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Convertible note holding

As at 30 June 2015, Mr J Cullen held 1,428,571 convertible notes issued at 3.5 cents per note. These notes were not granted as compensation.

### Key Management personnel equity holdings (continued)

Share Options

| 30 June 2015 | Balance at beginning of year Number | Granted as compens-ation Number | Exercised Number | Net change other Number | Balance at end of year or at date of resignation Number | Vested but not exer-cisable Number | Vested & exer-cisable Number | Options vested during year Number |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| D C Rogers | - | - | - | - | - | - | - | - |
| D J Clark | 3,333,334 | - | - | 6,656,163 | 9,989,497 | - | 9,989,497 | 9,989,497 |
| J Cullen | - | - | - | 1,575,000 | 1,575,000 | - | 1,575,000 | 1,575,000 |
| A R Gray | - | - | - | - | - | - | - | - |
| D Wilkins | - | - | - | - | - | - | - | - |
| A A Parekh | 3,333,333 | - | - | - | 3,333,333 | - | 3,333,333 | - |
| M D Goodz | 2,000,000 | - | - | - | 2,000,000 | - | 2,000,000 | - |
| **Total** | **8,666,667** | **-** | **-** | **8,231,163** | **16,897,830** | **-** | **16,897,830** | **11,564,497** |

| 30 June 2014 | Balance at beginning of year Number | Granted as compens-ation Number | Exercised Number | Net change other Number | Balance at end of year Number | Vested but not exer-cisable Number | Vested & exer-cisable Number | Options vested during year Number |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| A A Parekh | 3,333,333 | - | - | - | 3,333,333 | - | 3,333,333 | - |
| D J Clark | 3,333,334 | - | - | - | 3,333,334 | - | 3,333,334 | - |
| M D Goodz | 2,000,000 | - | - | - | 2,000,000 | - | 2,000,000 | - |
| D Russell-Croucher | 3,000,000 | - | - | - | 3,000,000 | - | 3,000,000 | - |
| G L Wardle | 2,000,000 | - | - | - | 2,000,000 | - | 2,000,000 | - |
| J W Williams | 2,000,000 | - | - | - | 2,000,000 | - | 2,000,000 | - |
| P Chen | - | - | - | - | - | - | - | - |
| **Total** | **15,666,667** | **-** | **-** | **-** | **15,666,667** | **-** | **15,666,667** | **-** |

For details of the employee share option plan and of share options granted during the 2015 financial year, please refer to Note 17.

### Employment Contracts

Details of employment contracts currently in place with respect to the Directors' engagement with the Company are as follows:

Dennis Clark, Managing Director

- Term of agreement is 4 years from conditional approval for quotation by ASX (19 June 2012), unless otherwise terminated in accordance with the agreement.
- Annual salary of $270,000 plus statutory superannuation, a reasonable vehicle allowance, and a performance based cash bonus as determined by the board from time to time.
- Either party may terminate the agreement without cause by providing the other party no less than three months notice in writing. Where the Company terminates the agreement without cause or the Managing Director terminates the agreement by reason of non-payment of funds due to the Managing Director for a period of 30 days or more or a material breach of the Company which remains un-remedied for a period of 14 business days after written notice is provided by the Managing Director, the Managing Director shall have no entitlement to any termination payment related to the unexpired term of the agreement unless shareholder approval is obtained (where required) in accordance with section 200B of the Corporations Act.

### Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of A1 Consolidated Gold Limited to increase goal congruence between executives, directors and shareholders. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the board actively discourages key personnel management from obtaining mortgages in securities held in the Company.

There were no options granted to or vesting with key management personnel during the year. There were no options forfeited during the year.

### Amounts owing to directors

For details of amounts owing to directors please refer to Note 20.

***This concludes the remuneration report, which has been audited.***

## Directors' Meetings

The directors held twelve board meetings and two audit committee meetings during the year ended 30 June 2015. The attendance of directors at these meetings were:

| | | Board Meetings | | Audit Committee | |
|---|---|---|---|---|---|
| **Directors** | | **A** | **B** | **A** | **B** |
| Dale Rogers | (Appointed 24/11/14) | 7 | 7 | 1 | 1 |
| Dennis Clark | | 12 | 12 | 2 | 2 |
| Jamie Cullen | (Appointed 1/05/15) | 2 | 2 | 0 | 0 |
| Anthony Gray | (Appointed 25/06/15) | 0 | 0 | 0 | 0 |
| Ashok Parekh | (Resigned 24/11/14) | 4 | 4 | 1 | 1 |
| Morrie Goodz | (Resigned 24/11/14) | 3 | 4 | 1 | 1 |
| Dennis Wilkins | (Appointed 24/11/14) (Resigned 11/05/15) | 7 | 7 | 1 | 1 |

A: Number of meetings attended.

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

There were no Remuneration or Nominations Committee meetings held during the year.

Two Audit Committee meetings were held during the year to review the prior end of year and half year accounts.

## Proceedings on behalf of the Company

There were no proceedings on behalf of the Company.

## Shares under option

At the date of this report there are 232,750,389 unissued ordinary shares in respect of which options are outstanding.

| | | Number of options |
|---|---|---|
| Balance at the beginning of the year | | 28,666,667 |
| **Movements of share options during the year:** | | |
| Issued, exercisable at 3 cents, on or before 30 November 2019 | | 223,750,406 |
| Issued, exercisable at 5 cents, on or before 30 November 2019 | | 9,000,000 |
| Exercised at 3 cents | | (17) |
| Expired 31 December 2014 | | (28,666,667) |
| **Total number of options outstanding as at 30 June 2015** | | **232,750,389** |
| Movements subsequent to the reporting date: | | Nil |
| **Total number of options outstanding as at the date of this report** | | **232,750,389** |
| The balance is comprised of the following: | | |
| **Expiry date** | **Exercise price (cents)** | **Number of options** |
| 30 November 2019 | 3 | 223,750,389 |
| 30 November 2019 | 5 | 9,000,000 |
| **Total number of options outstanding at the date of this report** | | **232,750,389** |

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the financial period.

There have been no ordinary shares issued by the Company during or since the end of the financial period as a result of the exercise of an option.

There are no unpaid amounts on the shares issued.

## Non-Audit Services

There were no non-audit services provided by the entities auditor, HLB Mann Judd, or associated entities during the year.

## Auditor Independence

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 financial report. This Independence Declaration is set out on page 54 and forms part of this directors' report for the year ended 30 June 2015.

## Auditor

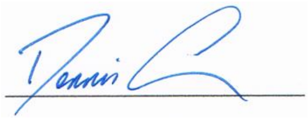
HLB Mann Judd continues in office in accordance with section 327 of the Corporations Act 2001.

## Corporate Governance

In recognizing the need for the highest standards of corporate behaviour and accountability, the directors of A1 Consolidated Gold Limited support and have adhered to the principals of corporate governance and have established a set of policies for the purpose of managing this governance. A1 Consolidated Gold Limited's Corporate Governance Statement approved by the board of the Company and current at 30 June 2015 is presented on the Company's website at:

**http://www.a1consolidated.com.au/corporate/corporate-governance/**

This report is made in accordance with a resolution of the directors, pursuant to section 298(2)(a) of the Corporations Act 2001.



**Dennis Clark**
Managing Director
Goulburn, New South Wales
30 September 2015

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| Revenue | 2a | 24,658 | 78,721 |
| Accounting and taxation services | | (80,340) | (56,150) |
| Auditor’s remuneration | 23 | (42,500) | (35,850) |
| Company secretary fees | | (141,578) | (78,407) |
| Consulting fees | | - | (34,672) |
| Depreciation expense | | (12,908) | (17,526) |
| Directors’ fees | | (37,857) | (59,450) |
| Employee benefits expense | | (100,460) | (132,023) |
| Finance costs | 2b | (18,523) | (70,107) |
| Impairment of development costs | 10 | (12,842,007) | - |
| Insurance | | (114,455) | (121,899) |
| Loss on disposal of fixed assets | | (80,414) | (5,126) |
| Maldon operating expenses | | (451,361) | - |
| Other expenses | | (133,192) | (171,414) |
| Share based payment expense | 17b | (4,664) | (222,876) |
| Share registry and listing fees | | (36,299) | (70,712) |
| **Loss before income tax expense** | | (14,071,900) | (997,491) |
| Income tax expense | 3 | - | - |
| **Loss for the year** | | (14,071,900) | (997,491) |
| **Other comprehensive income** | | - | - |
| **Total comprehensive loss for the year** | | (14,071,900) | (997,491) |
| Basic and diluted loss per share | 4 | (5.9) cents | (0.61) cents |

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2015

| | Notes | 2015 $ | 2014 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 2,013,371 | 232,027 |
| Trade and other receivables | 6 | 131,455 | 40,766 |
| Inventories | 7 | 102,643 | - |
| Other | 8 | 165,913 | 54,899 |
| **Total Current Assets** | | 2,413,382 | 327,692 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 8,254,291 | 2,013,897 |
| Exploration, evaluation and development assets | 10 | 22,018,618 | 31,485,900 |
| Other | 8 | 1,006,500 | 123,000 |
| **Total Non-Current Assets** | | 31,279,409 | 33,622,797 |
| **Total Assets** | | 33,692,791 | 33,950,489 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 11 | 942,913 | 526,726 |
| Borrowings | 12 | 173,441 | 41,155 |
| Provisions | 14 | 159,732 | 73,903 |
| Share application funds pending allotment | | 40,800 | 40,071 |
| **Total Current Liabilities** | | 1,316,886 | 681,855 |
| **Non-Current Liabilities** | | | |
| Borrowings | 12 | 1,561,220 | - |
| Provisions | 14 | 1,050,554 | - |
| **Total Non-Current Liabilities** | | 2,611,774 | - |
| **Total Liabilities** | | 3,928,660 | 681,855 |
| **Net Assets** | | 29,764,131 | 33,268,634 |
| **Equity** | | | |
| Issued capital | 15 | 42,606,668 | 35,279,194 |
| Reserves | 16 | 5,453,605 | 2,213,682 |
| Accumulated losses | | (18,296,142) | (4,224,242) |
| **Total Equity** | | 29,764,131 | 33,268,634 |

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | Issued Capital $ | Option Premium on Convertible Notes $ | Share Based Payments Reserve $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|---|---|
| **Balance as at 1 July 2014** | | **35,279,194** | **-** | **2,213,682** | **(4,224,242)** | **33,268,634** |
| Total comprehensive loss for the year | | - | - | - | (14,071,900) | (14,071,900) |
| Shares issued during the year net of costs | 15 | 2,458,852 | - | - | - | 2,458,852 |
| Share based payments relating to share issues | 17 | (1,239,596) | - | 1,239,596 | - | - |
| Share based payment – shares and options issued on Maldon acquisition | 17 | 6,108,218 | - | 1,357,382 | - | 7,465,600 |
| Share based payment – Options issued to convertible noteholders | 17 | - | - | 571,428 | - | 571,428 |
| Share based payment expense | | - | - | 4,664 | - | 4,664 |
| Issue of convertible notes | 13 | - | 66,853 | - | - | 66,853 |
| **Balance at 30 June 2015** | | **42,606,668** | **66,853** | **5,386,752** | **(18,296,142)** | **29,764,131** |
| **Balance as at 1 July 2013** | | **30,928,204** | **-** | **1,990,806** | **(3,226,751)** | **29,692,259** |
| Total comprehensive loss for the year | | - | - | - | (997,491) | (997,491) |
| Shares issued during the year net of costs | 15 | 4,350,990 | - | - | - | 4,350,990 |
| Share-based payment expense | 17 | - | - | 222,876 | - | 222,876 |
| **Balance at 30 June 2014** | | **35,279,194** | **-** | **2,213,682** | **(4,224,242)** | **33,268,634** |

The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | 2015 | 2014 |
|---|---|---|---|
| | | $ | $ |
| | | Inflows/(Outflows) | |
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (954,554) | (704,673) |
| Interest received | | 11,145 | 33,578 |
| Finance costs | | (4,925) | (4,731) |
| **Net cash used in operating activities** | 5(ii) | (948,334) | (675,826) |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of non-current assets | | - | 45,963 |
| Purchase of non-current assets | | (11,717) | (41,567) |
| Exploration and evaluation expenditure | | (241,614) | (359,822) |
| Development expenditure | | (1,044,219) | (3,439,459) |
| Loan to Maldon Resources Pty Limited (pre-acquisition) | | (519,724) | - |
| Purchase shares in subsidiary companies, net of cash acquired | 5(iii) | (225,233) | - |
| Loan repaid by related party | | - | 109,000 |
| Refund of bond | | 80 | - |
| **Net cash used in investing activities** | | (2,042,427) | (3,685,885) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 2,498,025 | 3,744,897 |
| Proceeds from issue of convertible notes | | 2,445,443 | - |
| Share application funds pending allotment | | - | 40,071 |
| Payments for share issue and listing costs | | (541,149) | (112,063) |
| Loans from directors and others | | 295,000 | - |
| Proceeds from borrowings | | 199,464 | 54,933 |
| Repayment of borrowings | | (124,678) | (54,352) |
| **Net cash provided by financing activities** | | 4,772,105 | 3,673,486 |
| | | | |
| Net increase / (decrease) in cash and cash equivalents | | 1,781,344 | (688,225) |
| Cash and cash equivalents at beginning of year | | 232,027 | 920,252 |
| **Cash and cash equivalents at end of year** | 5(i) | 2,013,371 | 232,027 |

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the periods presented unless otherwise stated. The financial statements are for the Group consisting of A1 Consolidated Gold Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars.

The company is a listed public company, incorporated in Australia and operating in the state of Victoria. The entity's principal activity is the underground evaluation and development of the A1 Gold Mine.

**Going concern**

The Group has incurred a loss for the year ended 30 June 2015 of $14,071,900 including an impairment write-down of development costs of $12,842,007. At 30 June 2015 the Group had cash and cash equivalents of $2,013,371. The directors are of the opinion that the company is a going concern for the following reasons:

- The Group has a fully functional gold processing facility at Maldon, Victoria that is ideally suited to the planned production from the A1 Mine.
- The company has had experience with the processing facility and associated mine, as it took over management control in February 2015. Since that time mill maintenance has been completed, narrow vein mining has been undertaken at the Maldon Alliance South Deposit, the ore has been successfully treated at the Maldon treatment plant and pre-acquisition gold sales made.

The directors are of the opinion that the continued mining, processing and sale of gold will be successful and will enable the Group to continue as a going concern. However, if funds derived are not sufficient, then other options to raise additional funds will need to be considered.

If the Group is unable to raise sufficient funds when required, there exists a material uncertainty that may cast significant doubt whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets (especially its exploration, evaluation and development assets and its property, plant and equipment) and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

### (b) Adoption of new and revised standards

*Standards and Interpretations applicable to 30 June 2015*

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.

As a result of this review, the directors have determined that there is no material impact of any new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

*Standards and Interpretations in issue not yet adopted*

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 this review the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Group accounting policies.

### (c) Statement of compliance

The financial report was authorised for issue on 30 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).

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Significant accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about 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 these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, using the assumptions detailed in Note 17.

*Exploration and evaluation costs carried forward*

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

*Mine development expenditure carried forward*

The recoverability of the carrying amount of mine development expenditure carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell' and "value in use". In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Estimated production and sales levels;
- Estimate future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

**(e) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of A1 Consolidated Gold Limited ('Company' or 'Parent') and entities controlled by the Company (the 'Group'). As Company owns 100% of the share capital of all its subsidiaries it has full control of each entity.

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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Investments in subsidiaries held by A1 Consolidated Gold Limited are accounted for at cost in the financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Segment reporting**

Since incorporation the Company has been engaged in the minerals industry at one location in Victoria and accordingly there are currently no separate segments to the Company's operations.

**(g) Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The main revenue is interest received which is recognised on an accrual basis.

**(h) Leases – operating**

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

**(i) 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 adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

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.

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
- when the taxable temporary difference is associated with investments in subsidiaries, 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.
- When the deductible temporary difference is associated with investments in subsidiaries 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.

No deferred tax assets have been recognised and included as an asset because recovery is not considered probable in the next few years.

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 profit or loss.

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

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) 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.

**(k) 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 profit or loss 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.

**(l) 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 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.

**(m) Trade and other receivables**

Trade and other receivables are stated at their cost. At year end they represented refunds due for Goods & Services Tax and other taxes due for settlement approximately 30 days after lodgement of returns, accrued interest receivable and various refunds due to the Group.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Inventories**

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**(o) 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:

Motor vehicles – over 8 years

Office equipment – over 3 to 10 years

Plant & equipment – over 5 to 20 years

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

**(p) 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 transaction 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 profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

*(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 profit or loss 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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial assets (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 profit or loss.

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.

### (q) 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 profit or loss.

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 profit or loss, 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 profit or loss, 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. 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 profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Trade and other payables

Trade payables and other payables are carried at amortised cost 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

### (s) Interest-bearing loans and borrowings

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

The fair value of the liability portion of 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 shareholder's equity, net of income tax effects.

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

### (t) 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. Provisions are not recognised for future operating losses.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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 an interest expense.

### (u) Employee entitlements

*Annual leave and sick leave*

Liabilities accruing to employees in respect of annual leave and sick leave expected to be settled within 12 months of the balance date are recognised in provisions in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities accruing to employees in respect of annual leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current liabilities in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflow to be made by the Group.

*Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

### (v) Share-based payment transactions

*Equity settled 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 using a Black-Scholes model, further details of which are given in Note 17.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of A1 Consolidated Gold Limited (market conditions) if applicable.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) Share-based payment transactions (continued)**

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award.

The cumulative expense recognised for equity-settled transactions at each balance 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.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings/loss per share (see Note 4).

Where the company acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share based payment transactions, the fair value of the equity instruments granted is measured at the grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

**(w) 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.

**(x) Earnings/loss per share**

Basic earnings/loss 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/loss 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.

**(y) Provision for restoration and rehabilitation**

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (z) 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 balance 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 amortised 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.

### (aa) Development expenditure

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Exploration and evaluation expenditure is reclassified to development expenditure once the technical feasibility and commercial viability of extracting the related mineral resource is demonstrable. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

### (ab) Parent entity financial information

The financial information for the parent entity, A1 Consolidated Gold Limited, disclosed in Note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

*Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 2: REVENUE AND EXPENSES

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **(a) Revenue** | | |
| *Other revenue* | | |
| Bank interest received | 10,756 | 32,060 |
| Fuel tax credits received | 13,902 | 26,792 |
| Profit on sale of fixed assets | - | 19,869 |
| | 24,658 | 78,721 |
| **(b) Expenses** | | |
| *Finance costs* | | |
| Interest expense | | |
| Related party | - | 60,810 |
| Bank interest paid | 5,899 | 4,731 |
| Other | 8,560 | - |
| | 14,459 | 65,541 |
| Bank charges | 4,064 | 4,566 |
| Total finance costs | 18,523 | 70,107 |
| Operating lease rental expenses | 35,864 | 48,628 |

### NOTE 3: INCOME TAX

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

| | 2015 | 2014 |
|---|---|---|
| Accounting loss before income tax | (14,071,900) | (997,491) |
| Income tax expense / (benefit) calculated at 30% | (4,221,570) | (299,247) |
| Add / (Less) tax effect of: | | |
| Share based payments and minor amounts | 1,399 | 66,863 |
| Unused tax losses not recognised as deferred tax asset | 505,305 | 414,092 |
| Other deferred tax assets and tax liabilities not recognised | 3,714,866 | (181,708) |
| Income tax expense reported in the statement of comprehensive income | - | - |

**a) Unrecognised deferred tax balances:**

The following deferred tax assets and liabilities have not been brought to account:

| | 2015 | 2014 |
|---|---|---|
| Deferred tax assets comprise: | | |
| Losses available for offset against future taxable income – revenue | 2,385,839 | 9,106,647 |
| Share issue costs | 229,444 | 189,648 |
| Borrowing costs | 2,131 | - |
| Accrued expenses and liabilities | 15,814 | 10,023 |
| Employee entitlements | 40,887 | 10,722 |
| Provision for rehabilitation | 220,200 | - |
| | 2,894,315 | 9,317,040 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

## NOTE 3: INCOME TAX (continued)

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Deferred tax liabilities comprise: | | |
| Depreciation timing differences | 2,109,747 | 473,475 |
| Exploration expenditure capitalised | 3,225,628 | 7,690,922 |
| Accrued interest | - | 1 |
| | 5,335,375 | 8,164,398 |
| **b) Unrecognised deferred tax assets in equity during the year:** | | |
| Share-issue costs | 162,345 | 33,619 |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable at balance date that future taxable profit will be available against which the Company can utilise the benefits thereof.

The deductible temporary differences on tax losses are subject to testing under taxation loss testing rules. Detailed testing of these carried forward tax losses has not been undertaken.

## NOTE 4: EARNINGS/LOSS PER SHARE

| | 2015<br>Cents per share | 2014<br>Cents per share |
|---|---|---|
| Basic and diluted loss per share | (5.9) | (0.61) |

*Basic and diluted loss per share*

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

| | $ | $ |
|---|---|---|
| Earnings (loss) (refer (i)) | (14,071,900) | (997,491) |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 238,659,887 | 163,433,549 |

(i) Earnings used in the calculation of total basic and diluted loss per share equals the net loss in the statement of comprehensive income as no adjustments were required.

(ii) The weighted average number of ordinary shares for the purposes of diluted loss per share equals the weighted average number of ordinary shares used in the calculation of basic earnings per share as no adjustments were required.

(iii) The following potential ordinary shares are not dilutive and are therefore excluded from the calculation in (ii) above:

| | Number | Number |
|---|---|---|
| Options to purchase ordinary shares | 232,750,389 | 28,666,667 |

(iv) The Group has not issued any shares since the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 5: CASH AND CASH EQUIVALENTS

| | 2015 $ | 2014 $ |
|---|---|---|
| Cash at bank and on hand | 2,013,371 | 232,027 |
| | 2,013,371 | 232,027 |

As at 30 June 2015, the Group did not have any undrawn financing facilities. As at 30 June 2014 the parent entity had available a $300,000 undrawn line of credit supplied by the directors of the parent entity.

**(i) Reconciliation to the Statement of Cash Flows:**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | 2,013,371 | 232,027 |
| | 2,013,371 | 232,027 |

| | 2015 $ | 2014 $ |
|---|---|---|
| **(ii) Reconciliation of loss for the year to net cash flows from operating activities:** | | |
| (Loss) for the year | (14,071,900) | (997,491) |
| Non-cash flows in loss: | | |
| Depreciation | 12,908 | 17,526 |
| Net (Profit) / Loss on disposal of non-current assets | 80,414 | (14,743) |
| Loss on forfeited deposit on plant | 6,000 | - |
| Equity settled share based payment | 4,664 | 222,876 |
| Provisions for employee entitlements | 5,704 | 5,971 |
| Impairment of development costs | 12,842,007 | - |
| Amounts paid by issue of shares | | |
| Directors fees and expenses | - | 193,447 |
| Interest expense | - | 60,810 |
| Expenses | 24,109 | - |
| Tolling termination fee | - | 50,000 |
| Change in net assets and liabilities: | | |
| Decrease / (Increase) in assets: | | |
| Current receivables | (59,436) | 88,672 |
| Other current assets | (111,594) | 2,598 |
| Increase /(Decrease) in liabilities: | | |
| Current payables | 318,790 | (305,492) |
| Net cash (used in) operating activities | (948,334) | (675,826) |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 5: CASH AND CASH EQUIVALENTS (continued)

**(iii) Acquisition of Entities:**

On 25 June 2015 A1 Consolidated Gold Limited (A1 Gold) completed an asset acquisition whereby A1 Gold acquired 100% of the issued capital in three subsidiary companies holding the Victorian assets of Octagonal Resources Limited. Details of the transaction are:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Purchase consideration** | $ | |
| Satisfied in equity | | |
| Ordinary shares | 6,108,218 | - |
| Options | 1,357,382 | - |
| Acquisition costs ($310,419 paid prior to balance date) | 365,917 | - |
| Total consideration | 7,831,517 | - |
| | | |
| **Assets and liabilities acquired:** | | |
| **Assets** | | |
| Cash and cash equivalents | 85,186 | - |
| Other receivables | 31,555 | - |
| Inventories | 102,643 | - |
| Property, plant and equipment | 6,668,722 | - |
| Development assets | 1,472,559 | - |
| Environmental bonds | 883,500 | - |
| | | |
| **Liabilities** | | |
| Trade and other payables | (71,954) | - |
| Loan A1 Consolidated Gold Limited | (375,422) | - |
| Provisions | (965,272) | - |
| Net assets and liabilities | 7,831,517 | - |
| **(iv) Cash flow effect** | | |
| Acquisition costs paid | 310,419 | - |
| Less: Cash acquired | (85,186) | - |
| **Net cash outflow** | 225,233 | - |
| **(v) Non-cash investing activities:** | | |
| Expenditure via the issue of shares | | |
| Acquisition of shares in subsidiaries | | |
| Ordinary shares | 6,108,218 | - |
| Options | 1,357,382 | - |
| Plant, equipment and development expenditure | 241,096 | - |
| Plant, equipment and expenses | - | 463,899 |
| | 7,706,696 | 463,899 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 6: CURRENT TRADE AND OTHER RECEIVABLES

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| GST recoverable | 121,033 | 31,450 |
| Other receivables | 10,422 | 9,316 |
| | 131,455 | 40,766 |

### NOTE 7: INVENTORIES

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Production and exploration / development consumables | 102,643 | - |

### NOTE 8: OTHER ASSETS

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Current | | |
| Prepayments | 164,993 | 53,399 |
| Rental bond | 920 | 1,500 |
| | 165,913 | 54,899 |
| Non-Current | | |
| Environmental bonds | 1,006,500 | 123,000 |

### NOTE 9: PROPERTY, PLANT AND EQUIPMENT

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Property** | | |
| Freehold land – at cost | 432,299 | 62,299 |
| Net carrying amount | 432,299 | 62,299 |
| **Plant and equipment** | | |
| Plant and equipment – at cost | 10,284,219 | 2,486,623 |
| Accumulated depreciation | (2,608,550) | (693,042) |
| Net carrying amount | 7,675,669 | 1,793,581 |
| **Office equipment** | | |
| Office equipment – at cost | 97,538 | 67,985 |
| Accumulated depreciation | (68,798) | (35,935) |
| Net carrying amount | 28,740 | 32,050 |
| **Motor vehicles** | | |
| Motor vehicles – at cost | 285,434 | 167,295 |
| Accumulated depreciation | (167,851) | (41,328) |
| Net carrying amount | 117,583 | 125,967 |
| **Total plant and equipment net carrying amount** | 8,254,291 | 2,013,897 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 9: PROPERTY, PLANT AND EQUIPMENT (continued)

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Reconciliation of property** | | |
| Carrying amount at 1 July 2014 | 62,299 | 62,299 |
| Addition on acquisition of subsidiary | 370,000 | - |
| Carrying amount at 30 June 2015 | 432,299 | 62,299 |
| | | |
| **Reconciliation of plant and equipment** | | |
| Carrying amount at 1 July 2014 | 1,793,581 | 2,104,847 |
| Additions | 16,596 | 33,780 |
| Additions on acquisition of subsidiary | 6,273,404 | - |
| Disposals | (85,323) | (12,126) |
| Depreciation | (322,589) | (332,920) |
| Carrying amount at 30 June 2015 | 7,675,669 | 1,793,581 |
| | | |
| **Reconciliation of office equipment** | | |
| Carrying amount at 1 July 2014 | 32,050 | 66,852 |
| Additions | - | 1,818 |
| Additions on acquisition of subsidy | 12,619 | - |
| Disposals | (5,970) | (19,094) |
| Depreciation | (9,959) | (17,526) |
| Carrying amount at 30 June 2015 | 28,740 | 32,050 |
| | | |
| **Reconciliation of motor vehicles** | | |
| Carrying amount at 1 July 2014 | 125,967 | 140,640 |
| Additions | - | 5,969 |
| Additions on acquisition of subsidiary | 12,699 | - |
| Depreciation | (21,083) | (20,642) |
| Carrying amount at 30 June 2015 | 117,583 | 125,967 |

Assets pledged as security:

A1 Consolidated Gold Limited (the company) has granted a Personal Property Securities Act security interest over all of the present and future property of the company and a mortgage over the mining licence covering the company's A1 Mine as security for the issue of $2,500,000 of convertible notes.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 10: EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Costs carried forward in respect of areas of interest in the following phases: | | |
| **Exploration and evaluation phases – at cost** | | |
| Balance at beginning of year | 1,348,658 | 1,048,148 |
| Acquisition costs (Walhalla option fee) | 50,000 | - |
| Exploration and evaluation costs incurred during the year | 318,803 | 300,510 |
| **Balance at end of year** | 1,717,461 | 1,348,658 |
| **Development phase – at cost** | | |
| Balance at beginning of year | 30,137,242 | 26,864,022 |
| Additions on acquisition of subsidiary | 1,472,559 | - |
| Development costs incurred during the year | 1,533,363 | 3,273,220 |
| Impairment of development costs | (12,842,007) | - |
| **Balance at end of year** | 20,301,157 | 30,137,242 |
| **Total Exploration, evaluation and development assets** | 22,018,618 | 31,485,900 |

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

### NOTE 11: TRADE AND OTHER PAYABLES

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Trade payables (i) | 596,414 | 95,331 |
| Accrued expenses | 176,145 | 133,709 |
| Related party payables (ii) | 170,354 | 297,686 |
| | 942,913 | 526,726 |

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
(ii) Related party payables are unsecured, interest free and settlement occurs in cash. Refer Note 20.
Information regarding the liquidity and interest rate risk exposure is set out in Note 18.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 12: BORROWINGS

| | Interest Rate | Maturity | 2015 $ | 2014 $ |
|---|---|---|---|---|
| **CURRENT** | | | | |
| **Unsecured** | | | | |
| Insurance premium funding | 8.79% | 30/03/2016 | 42,056 | 41,155 |
| | 8.15% | 30/05/2016 | 131,385 | - |
| Total current unsecured borrowings | | | 173,441 | 41,155 |
| **NON-CURRENT** | | | | |
| **Secured** | | | | |
| Convertible Notes (refer Note 13) | 12.5% | 25/06/2018 | 1,561,220 | - |
| Total non-current secured borrowings | | | 1,561,220 | - |
| **Total borrowings** | | | 1,734,661 | 41,155 |

Assets pledged as security.

A1 Consolidated Gold Limited (the company) has granted a Personal Property Securities Act security interest over all of the present and future property of the company and a mortgage over the mining licence covering the company's A1 Mine as security for the issue of $2,500,000 of convertible notes.

*Financing facilities available*

As at balance date, the Group did not have any undrawn finance facilities. As at 30 June 2014 the parent entity had available $300,000 undrawn line of credit from the directors of the parent entity.

### NOTE 13: CONVERTIBLE NOTES

71,428,571 convertible notes were issued by the Group on 25 June 2015 at an issue price of 3.5 cents per note. Each note entitles the holder to convert to one ordinary share.

Conversion may occur at any time between 25 June 2015 and 25 June 2018. If the notes have not been converted, they will be redeemed on 25 June 2018 at 3.5 cents per note. Interest of 12.5% will be paid quarterly in arrears up until that settlement date.

The net proceeds received from the issue of the convertible notes have been split between the financial liability and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the Company as follows:

| | 2015 $ | 2014 $ |
|---|---|---|
| Gross face value of notes | 2,500,000 | - |
| Less: | | |
| Transaction costs | (309,059) | - |
| Share based payment – options granted | (571,428) | - |
| Net proceeds | 1,619,513 | - |
| Liability component at date of issue | 1,552,660 | - |
| Equity component | 66,853 | - |

The equity component of $66,853 has been credited to equity (option premium on convertible note –see note 16).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NOTE 13: CONVERTIBLE NOTES (continued)

The liability component is measured at amortised cost. The interest expense for the period to 30 June 2015 of $8,560 is calculated by applying an effective interest rate of 26.1% to the liability component for the period since the loan notes were issued. Interest paid in the period since issue is $8,560. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the statement of financial position at 30 June 2015 represents the effective interest rate less interest paid to that date.

## NOTE 14: PROVISIONS

| | Employee benefits (i) $ | Restorative obligations (ii) $ | Total $ |
|---|---|---|---|
| Balance at beginning of year | 73,903 | - | 73,903 |
| Acquisition of subsidiary (refer note 5) | 81,771 | 883,500 | 965,271 |
| Arising during the year | 66,891 | 123,000 | 189,891 |
| Utilised | (18,779) | - | (18,779) |
| Unused amounts reversed | - | - | - |
| Balance at the end of year | 203,786 | 1,006,500 | 1,210,286 |
| Current | 159,732 | - | 159,732 |
| Non-current | 44,054 | 1,006,500 | 1,050,554 |

i) The provision for employee benefits represents accrued annual leave, sick leave and long service leave.

ii) The provision for restorative obligations relates to the estimated cost of rehabilitation work to be carried out in relation to the removal of facilities, closure of sites and restoring the affected areas. The provision represents the best estimate of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the value of the restoration provision at each reporting date.

## NOTE 15: ISSUED CAPITAL

| | 2015 $ | 2014 $ |
|---|---|---|
| 446,356,265 Ordinary shares issued and fully paid (2014 – 176,683,522) | 42,606,668 | 35,279,194 |

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

**NOTE 15: ISSUED CAPITAL (continued)**

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| ***Movement in ordinary shares on issue*** | | | | |
| Balance at beginning of financial year | 176,683,522 | 35,279,194 | 138,208,921 | 30,928,204 |
| Shares issued during the year for cash | | | | |
| September 2013 | - | - | 24,137,931 | 2,800,000 |
| December 2013 | - | - | 3,781,881 | 438,698 |
| February 2014 | - | - | 4,070,687 | 472,199 |
| March 2014 | - | - | 206,896 | 24,000 |
| June 2014 | - | - | 86,200 | 9,999 |
| November 2014 | 56,576,476 | 1,697,295 | - | - |
| December 2014 | 17 | 1 | - | - |
| January 2015 | 16,666,666 | 500,000 | - | - |
| February 2015 | 10,000,000 | 300,000 | - | - |
| Shares issued on acquisition of shares in subsidiary companies | 169,672,726 | 6,108,218 | - | - |
| Shares issued in lieu of shareholder liabilities | 16,756,858 | 502,705 | - | - |
| Shares issued in lieu of Directors' Fees and other amounts owing | | | | |
| December 2013 | - | - | 6,191,006 | 718,157 |
| Share based payments relating to share issues | - | (1,239,596) | - | - |
| Share issue costs | - | (541,149) | - | (112,063) |
| Balance at end of financial year | 446,356,265 | 42,606,668 | 176,683,522 | 35,279,194 |

| | 2015 | 2014 |
|---|---|---|
| | No. | No. |
| ***Movement in options over ordinary shares on issue:*** | | |
| At start of year | 28,666,667 | 28,666,667 |
| Granted * | 232,750,406 | - |
| Exercised | (17) | - |
| Expired | (28,666,667) | - |
| At end of year | 232,750,389 | 28,666,667 |

* Of the options granted during the year 223,750,389 are exercisable at 3 cents and 9,000,000 are exercisable at 5 cents.

All options are exercisable on or before 30 November 2019.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 16: RESERVES

**Share based payments reserve**

The share based payments reserve is used to record the value of equity benefits provided to directors and employees as part of their remuneration and to other parties for services rendered and in connection with raising capital and acquisition of subsidiaries. Refer to Note 17 for further details.

**Option premium on convertible notes**
The option premium on convertible notes represents the equity component (conversion right) of the $2,500,000 of convertible notes issued during the year. Refer to Note 13.

### NOTE 17: SHARE BASED PAYMENTS

a) By a prospectus lodged on 2 October 2014, A1 Consolidated Gold Limited (A1 Gold) made a 7 for 8 renounceable Entitlement Offer to shareholders. As part consideration for underwriting the Entitlement Offer, A1 Gold issued 51,532,693 underwriter options at no consideration which were subsequently listed. These options are exercisable at $0.03 each on or before 30 November 2019 and have been valued at $1,239,596 using the Black-Scholes option pricing model based on the following assumptions:

| | | |
|---|---|---|
| Number of Options Issued | 21,484,177 | 30,048,516 |
| Underlying value of shares | $0.0388 | $0.0309 |
| Exercise price | $0.03 | $0.03 |
| Risk free rate of return | 2.77% | 2.71% |
| Volatility factor | 83% | 86% |

b) On 14 January, 2015 A1 Gold issued 9,000,000 unlisted Executive Options to employees and contractors of the company as performance incentives. These options are exercisable at $0.05 each on or before 30 November 2019, and vest in three tranches on delivery of three performance milestones. They have been valued at $117,684 at the grant date using the Black-Scholes option pricing model based on the following assumptions.

| | |
|---|---|
| Underlying value of shares | $0.0309 |
| Exercise price | $0.03 |
| Risk free rate of return | 2.71% |
| Volatility factor | 86% |

An amount of $4,664 has been recognised to date and shown as a share based payment expense based on the probability of meeting the non-market vesting conditions.

c) On 25 June, 2015 A1 Gold completed the Share Sale Agreement whereby A1 Gold acquired 100% of the issued capital in three subsidiary companies holding the Victorian assets of Octagonal Resources Limited. Part of the consideration for the acquisition was the issue of 56,557,576 listed options exercisable at $0.03 each on or before 30 November, 2019. The options have been valued at $1,357,382 by reference to the market value of $0.024 each at the date of issue.

d) On 25 June, 2015 A1 Gold completed a $2,500,000 convertible note placement. The terms of the placement included the issue of 23,809,520 listed options exercisable at $0.03 each on or before 30 November 2019. The options have been valued at $571,428 by reference to the market value of $0.024 each at the date of issue.

e) As at 30 September, 2013 a total of $1,589,598 was owing to directors and related parties for salary, director fees, superannuation, plant and equipment and mining expenses. At the annual general meeting on 19 November 2013 it was agreed that $718,156 of the liabilities would be settled by the issue of shares at $0.116 per share. As the fair value of the shares at the grant date (AGM date) was $0.152 per share it was necessary to recognise the difference of $222,876 as a share based payment expense.

For details of options issued to key management personnel, refer to the Directors' Report.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

**NOTE 17: SHARE BASED PAYMENTS (continued)**

**Employee Share Option Plan**

The Board has adopted an employee share option plan which it believes will provide employees with the opportunity to participate in the success of the Company and encourage employees to actively participate in growing the wealth of the Group for the benefit of all shareholders. When issued each Employee Option shall entitle the optionholder to acquire one fully paid ordinary share upon payment of the exercise price specified in the offer. The exercise price will be not less than 80% of the average closing sale price of the Group's share on ASX over the five days immediately preceding the date of the offer.

The Employee Options will not be listed on ASX. Application will be made for official quotation of the shares issued upon exercise of the Employee Options.

As at 30 June 2015 and 30 June 2014 no Employee Options had been issued.

**NOTE 18: FINANCIAL INSTRUMENTS**

**(a) Capital risk management**

The Group manages its capital to maintain a low debt to equity ratio and ensure that the Group will be able to continue as a going concern. This strategy has remained unchanged since 2014.

The capital structure of the Group consists of debt, cash and cash equivalents and equity comprising issued capital and reserves reduced by accumulated losses.

None of the Group's entities are subject to externally imposed capital requirements.

**(b) Categories of financial instruments**

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 2,013,371 | 232,027 |
| Receivables | 131,455 | 40,765 |
| Rental bond | 920 | 1,500 |
| Environmental bonds | 1,006,500 | 123,000 |
| **Total financial assets** | 3,152,246 | 397,292 |
| | | |
| **Financial liabilities** | | |
| Trade and other payables | 942,913 | 526,726 |
| Borrowings | 1,734,661 | 41,155 |
| Share application funds pending allotment | 40,800 | 40,071 |
| **Total financial liabilities** | 2,718,374 | 607,952 |

All the above financial assets and liabilities are carried at amortised cost and the carrying amount is equivalent to fair value.

**(c) Financial risk management objectives**

The Group is exposed to credit risk, liquidity risk and interest rate risk as a normal course of the Group's business.

**i) Credit Risk**

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The credit risk of liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit rating agencies. Apart from credit risk on liquid funds the Group does not have any significant risk exposure to any single counterparty or any group of counterparties having similar characteristics.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 18: FINANCIAL INSTRUMENTS (continued)

**ii) Liquidity Risk**

The Group manages liquidity risk by maintaining adequate banking facilities by continuously monitoring forecast and actual cash flows.

The contractual maturity for the Group's financial liabilities, including estimated interest payments, is as follows:

| **2015** | **Less than 1 Month $** | **1 – 3 Months $** | **3 Months – 1 Year $** | **1 – 5 Years $** | **5+ Years $** |
|---|---|---|---|---|---|
| Non-interest bearing | 616,336 | 283,841 | 83,537 | - | - |
| Fixed interest rate instruments | 18,002 | 114,128 | 368,220 | 3,125,000 | - |
| | 634,338 | 397,969 | 451,757 | 3,125,000 | - |
| **2014** | | | | | |
| Non-interest bearing | 140,138 | 47,702 | 338,886 | - | - |
| Fixed interest rate instruments | 4,983 | 9,966 | 29,898 | - | - |
| | 145,121 | 57,668 | 368,784 | - | - |

**iii) Interest Rate Risk**

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

| | 2015 $ Carrying Amount | 2014 $ Carrying Amount |
|---|---|---|
| **Variable rate instruments** | | |
| Financial assets | 3,007,926 | 327,808 |
| **Fixed rate instruments** | | |
| Financial liabilities | 1,734,661 | 41,155 |

**Interest rate risk sensitivity analysis**

The sensitivity analysis below has been determined on the exposure to interest rates for non-derivative instruments at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At balance date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net loss would decrease by $15,040 and increase by $15,040 (2014: $1,639). There would be a corresponding effect on equity.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

## NOTE 19: COMMITMENTS AND CONTINGENCIES

### Exploration commitments

Future minimum commitments in relation to exploration and mining tenements as at the balance date are as follows:

| Payable | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Within one year | 1,439,400 | 117,600 |
| After one but no more than five years | 1,858,650 | 169,600 |
| More than five years | 978,000 | - |
| | 4,276,050 | 287,200 |

### Capital commitments and contingencies

There were no capital commitments or contingencies as at 30 June 2015 or 30 June 2014.

### Operating lease commitments – Company as lessee

The Company has entered into commercial leases on certain software, equipment and house rental. These leases have an average life of between 6 months and 2 years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Within one year | 8,465 | 44,740 |
| After one year but not more than five years | - | 3,494 |
| More than five years | - | - |
| | 8,465 | 48,234 |

## NOTE 20: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of A1 Consolidated Gold Limited and the subsidiaries listed in the following table.

| | % Equity interest | | Investment | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | | | $ | $ |
| Maldon Resources Pty Limited | 100% | - | 6,813,410 | - |
| Highlake Resources Pty Limited | 100% | - | 48 | - |
| Matrix Gold Pty Limited | 100% | - | 23 | - |

A1 Consolidated Gold Limited is the ultimate Australian parent entity and ultimate parent of the Group. All subsidiaries are incorporated in Australia.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 20: RELATED PARTY DISCLOSURE (continued)

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

| *Related party* | | Income from Related Parties $ | Expenditure Related Parties $ | Amounts Owed by Related parties $ | Amounts Owed to Related parties $ |
|---|---|---|---|---|---|
| ***Director related parties*** | | | | | |
| Amounts owing to directors for: | | | | | |
| - Salary and superannuation | | | | | |
| D J Clark | 2015 | - | - | - | 96,934 |
| | 2014 | - | - | - | - |
| - Directors fees and superannuation | | | | | |
| D Rogers (appointed 24 November 2014) | 2015 | - | - | - | 34,375 |
| J Cullen (appointed 1 May 2015) | 2015 | - | - | - | 8,030 |
| A Gray (appointed 25 June 2015) | 2015 | - | - | - | 803 |
| P H W Chen (appointed 1 October 2013) | 2015 | - | - | - | - |
| (resigned 12 June 2014) | 2014 | - | - | - | 30,590 |
| ***Other related parties*** | | | | | |
| Mining and related goods and services were provided by A1 Consolidated Mining Pty Ltd. In addition, a house for mine site accommodation was rented during the year from the company. Mr D Clark a director of A1 Consolidated Gold Limited, has a significant influence over A1 Consolidated Mining Pty Ltd. | 2015 | - | 21,068 | - | 11,600 |
| | 2014 | - | 102,910 | - | 265,206 |
| Fees received by Goodz & Associates GMC Pty Limited on behalf of other consultants for services provided for geological consulting and technical service fees. Mr M D Goodz, a director of A1 Consolidated Gold Limited, until his resignation on 24 November 2014, has control of Goodz & Associates GMC Pty Limited. | 2015 | - | - | - | - |
| | 2014 | - | 23,332 | - | - |
| Company secretarial services were supplied by DW Corporate Pty Ltd. Mr D Wilkins, company secretary of A1 Consolidated Gold Limited; is the principal of DW Corporate Pty Limited. | 2015 | - | 407,514 | - | 18,612 |
| | 2014 | - | 79,407 | - | 1,890 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2015

## NOTE 20: RELATED PARTY DISCLOSURE (continued)

| *Related party* | | Income from Related Parties $ | Expenditure Related Parties $ | Amounts Owed by Related parties $ | Amounts Owed to Related parties $ |
|---|---|---|---|---|---|
| A house for mine site accommodation was rented from Mrs J Russell-Croucher who is the partner of Mr D Russell-Croucher, a director of A1 Consolidated Gold Limited, who resigned on 30 September 2013. | 2015 | - | - | - | - |
| | 2014 | - | 3,000 | - | - |

*Terms and conditions of transactions with related parties*

Purchases from related parties are made at arm's length and at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

## NOTE 21: PARENT ENTITY DISCLOSURES

*Financial position*

| | 2015 $ | 2014 $ |
|---|---|---|
| <u>Assets</u> | | |
| Current assets | 2,436,741 | 327,692 |
| Non-current assets | 30,089,180 | 33,622,797 |
| Total assets | 32,525,921 | 33,950,489 |
| <u>Liabilities</u> | | |
| Current liabilities | 1,077,570 | 681,855 |
| Non-current liabilities | 1,684,220 | - |
| Total liabilities | 2,761,790 | 681,855 |
| <u>Equity</u> | | |
| Issued capital | 42,606,668 | 35,279,194 |
| Reserves | | |
| • Option premium on convertible notes | 66,853 | - |
| • Share-based payments | 5,386,752 | 2,213,682 |
| Accumulated losses | (18,296,142) | (4,224,242) |
| Total equity | 29,764,131 | 33,268,634 |

*Financial performance*

| | 2015 $ | 2014 $ |
|---|---|---|
| (Loss) for the year | (14,071,900) | (997,491) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year | (14,071,900) | (997,491) |

There were no capital commitments or contingencies as at 30 June 2015 or 30 June 2014.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 22: EVENTS AFTER THE REPORTING PERIOD

Other than the following the directors are not aware of any significant events since the end of the reporting period.

- On 11 August 2015, A1 Consolidated Gold Limited (A1 Gold) announced that it had entered into a binding Term Sheet with Orion Gold NL for A1 Gold to acquire Orion's Walhalla Project mining tenement MIN5487 (Tenement) in Victoria, which includes the Eureka and Tubal Cain deposits, for a total consideration of $850,000.

  Key terms of the Term Sheet are:
  - $50,000 cash payment on execution of the Term Sheet
  - $300,000 consideration through the issue of 7,816,285 fully paid ordinary A1 Gold shares at $0.03838 (10 day volume weighted average price prior to 7 August 2015). The shares will be issued to Orion on the Completion Date (being no later than 30 November 2015) and shall not be subject to escrow.
  - $500,000 payable as a 2% net smelter royalty on gold produced from the Tenement, with any unpaid amount becoming payable after 3 years from the date of the Term Sheet, and
  - On or prior to the Completion Date, A1 Gold is required to replace the $180,000 rehabilitation bond that Orion has on deposit with the Department of Economic Development, Jobs, Transport and Resources, Victoria.

  The acquisition of the Tenement is subject to conditions precedent, including the grant of consents required under the Mineral Resources (Sustainable Development) Act.

### NOTE 23: AUDITOR'S REMUNERATION

The auditor of A1 Consolidated Gold Limited group is HLB Mann Judd.

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| *Amounts received or due and receivable by HLB Mann Judd for:* | | |
| Audit of the financial statements – current period | 27,500 | 23,000 |
| – over/under accrual from prior period | 1,000 | 350 |
| Review of half yearly financial statements | 14,000 | 12,500 |
| | 42,500 | 35,850 |

### NOTE 24: KEY MANAGEMENT PERSONNEL

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. The totals of remuneration paid to key management personnel during the year are as follows:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | 332,509 | 135,704 |
| Post-employment benefits | 24,048 | 13,792 |
| Share-based payment | - | 47,772 |
| Termination Benefit | - | 25,000 |
| | 356,557 | 222,268 |

### NOTE 25: SEGMENT REPORTING

The Group has operated in one segment being the mineral exploration sector in Victoria and accordingly no further disclosure is required in the notes to the financial statements.

## DIRECTORS' DECLARATION

1. In the opinion of the directors of A1 Consolidated Gold Limited (the 'Company'):

   a. the accompanying financial statements and notes 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 Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

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

   c. the 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.

Dennis Clark
Managing Director

30 September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of A1 Consolidated Gold Limited 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** | **L Di Giallonardo** |
| **30 September 2015** | **Partner** |

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
**Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.**
**Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au**

**INDEPENDENT AUDITOR'S REPORT**

To the members of A1 Consolidated Gold Limited

**Report on the Financial Report**

We have audited the accompanying financial report of A1 Consolidated Gold Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Group. 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(c), 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 Group'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*.

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
**Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.**
**Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au**

HLB Mann Judd

Accountants | Business and Financial Advisers

***Auditor's opinion***

In our opinion:

(a) the financial report of A1 Consolidated Gold Limited 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(c).

***Emphasis of matter***

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the ability of the Group to continue as a going concern is dependent upon the success of the continued mining, processing and sale of gold, and if funds derived from this source are not sufficient, the raising of sufficient funds from other sources. Should the Group be unable to raise sufficient funds, there exists a material uncertainty that may cast significant doubt whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets (especially its exploration, evaluation and development assets and its property, plant and equipment) and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**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 A1 Consolidated Gold Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

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

**L Di Giallonardo**
**Partner**

**Perth, Western Australia**
**30 September 2015**

# ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 18 September 2015.

## Distribution of Equity Securities AYC

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

| | | | Ordinary shares Number of holders | Number of shares |
|---|---|---|---|---|
| 1 | - | 1,000 | 12 | 3,244 |
| 1,001 | - | 5,000 | 10 | 32,643 |
| 5,001 | - | 10,000 | 116 | 872,687 |
| 10,001 | - | 100,000 | 302 | 14,123,860 |
| 100,001 | | and over | 165 | 431,323,831 |
| | | | **605** | **446,356,265** |

## Twenty Largest Shareholders AYC

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

| | | Listed ordinary shares | |
|---|---|---|---|
| | | Number of shares | Percentage of ordinary shares |
| 1 | OCTAGONAL RESOURCES LTD | 169,672,726 | 38.01% |
| 2 | GAFFNEYS CREEK GOLD MINE | 33,333,333 | 7.47% |
| 3 | HERON RESOURCES LTD | 30,366,666 | 6.80% |
| 4 | LIONGOLD AUSTRALIA PTY LTD | 25,862,069 | 5.79% |
| 5 | A1 CONSOLIDATED MINING PL | 14,696,588 | 3.29% |
| 6 | BOND STREET CUSTS LTD | 11,982,758 | 2.68% |
| 7 | ABBOTSLEIGH PL | 7,769,908 | 1.74% |
| 8 | BOND STREET CUSTS LTD | 6,672,728 | 1.49% |
| 9 | CLARK DJ & CROKER PF | 6,564,376 | 1.47% |
| 10 | T T NICHOLLS PL | 6,000,000 | 1.34% |
| 11 | COLBERN FIDUCIARY NOM PL | 5,768,800 | 1.29% |
| 12 | INVIA CUSTODIANS PL | 5,533,334 | 1.24% |
| 13 | WRITE FAMILY INVESTMENTS PTY LTD | 5,403,334 | 1.21% |
| 14 | PAREKH ASHOK AARON | 4,875,000 | 1.09% |
| 15 | AUSTRALIAN EXECUTOR TTEES LTD | 4,213,444 | 0.94% |
| 16 | BOND STREET CUSTS LTD | 4,181,476 | 0.94% |
| 17 | CHRIS ROY TOIFL | 4,000,000 | 0.90% |
| 18 | JASPER HILL RES PL | 3,859,151 | 0.86% |
| 19 | PORTER SIMON ROSS | 3,818,524 | 0.86% |
| 20 | JP MORGAN NOMINEES | 3,487,320 | 0.78% |
| | | 358,061,535 | 80.19% |

## ASX Additional Information (continued)

### Distribution of Equity Securities AYCO

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

| | | | 3.0 cent Options expiring 30 November 2019 | |
|---|---|---|---|---|
| | | | **Number of holders** | **Number of options** |
| 1 | - | 1,000 | 14 | 4,036 |
| 1,001 | - | 5,000 | 137 | 378,721 |
| 5,001 | - | 10,000 | 65 | 453,172 |
| 10,001 | - | 100,000 | 170 | 6,217,580 |
| 100,001 | | and over | 105 | 216,696,880 |
| | | | **491** | **223,750,389** |

### Twenty Largest Shareholders AYCO

The names of the twenty largest holders of Listed 3.0 cent Options are:

| | | 3.0 cent Options | |
|---|---|---|---|
| | | **Number of Options** | **Percentage of Options** |
| 1 | OCTAGONAL RESOURCES LTD | 56,557,576 | 25.28% |
| 2 | JASPER HILL RES PL | 19,328,862 | 8.64% |
| 3 | SQUADRON RESOURCES PL | 19,047,620 | 8.51% |
| 4 | GAFFNEYS CREEK GOLD MINE | 11,111,111 | 4.97% |
| 5 | HERON RESOURCES LTD | 10,955,556 | 4.90% |
| 6 | COLBERN FIDUCIARY NOM PL | 9,805,000 | 4.38% |
| 7 | LIONGOLD AUSTRALIA PTY LTD | 8,620,690 | 3.85% |
| 8 | A1 CONSOLIDATED MINING PL | 6,143,307 | 2.75% |
| 9 | MANFORD MICHAEL FRANK | 5,730,274 | 2.56% |
| 10 | BOND STREET CUSTS LTD | 3,994,253 | 1.79% |
| 11 | T T NICHOLLS PL | 3,862,698 | 1.73% |
| 12 | ABBOTSLEIGH PL | 3,333,333 | 1.49% |
| 13 | TITCHENER PL | 2,975,879 | 1.33% |
| 14 | PORTER SIMON ROSS | 2,545,683 | 1.14% |
| 15 | BOND STREET CUSTS LTD | 2,224,243 | 0.99% |
| 16 | CLARK DJ & CROKER PF | 2,188,126 | 0.98% |
| 17 | CONSTANTINE FAMILY FOUNDATION | 1,875,486 | 0.84% |
| 18 | WALLCLIFFE COTTAGES PL | 1,872,486 | 0.84% |
| 19 | INVIA CUSTODIANS PL | 1,844,445 | 0.82% |
| 20 | WRITE FAMILY INVESTMENTS PTY LTD | 1,801,112 | 0.80% |
| | | 175,817,362 | 78.59% |

# ASX Additional Information

## Substantial Shareholders

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

| | Number of Shares |
|---|---|
| Gaffney's Creek Gold Mine | 33,333,333[(i)] |
| Heron Resources Limited | 30,366,666 |
| Dennis Clark | 23,730,325 |
| A1 Mining PL | 14,696,588 |

(i) 33,333,333 ordinary shares held by Gaffney's Creek Gold Mine Pty Limited which is wholly owned by the A1 Consolidated Unit Trust (A1 Unit Trust). A1 Unit Trust has 10 unit holders, each holding a 10% interest and Mr Clark is a unit holder and also a director of its Trustee Company, A1 Consolidated Pty Limited.

Mr Clark retains an indirect interest in the 33,333,333 ordinary shares held by Gaffney's Creek Gold Mine Pty Limited as trustee for the A1 Consolidated Unit Trust. However, he is not of the view that that interest constitutes a relevant interest within the meaning of Section 9 of the Corporations Act 2001.

## Voting Rights

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

## Restricted Securities

The number of restricted securities on issue are:

| Class | Number of Restricted Securities | Date Escrow Period Ends |
|---|---|---|
| Ordinary Fully Paid Shares (AYC) | 127,254,545 | 25 December 2015 |
| Listed 3.0 cent Options (AYCO) expiry 30 November 2019 | 42,418,181 | 25 December 2015 |

**Unquoted Securities**

| Class | Number of Securities | Number of Holders | Holders of 20% or more of the class | |
|---|---|---|---|---|
| | | | Holder Name | Number of Securities |
| Unlisted 5.0 cent options (AYC2) expiry 30 November 2019 | 9,000,000 | 3 | Nil | N/A |

# ASX Additional Information

## Schedule of Interests in Mining Tenements

| Location | Tenement | Percentage held / earning |
|---|---|---|
| **A1 Consolidated Gold Limited** | | |
| A1 Gold Project | MIN 5294 | 100% |
| Ten Mile Goldfield (Incorporating Star of the West Mine previously MIN4636) | EL 5109 | 100% |
| **Maldon Resources Pty Ltd** | | |
| Maldon Gold Operations | MIN5146 | 100% |
| Nuggetty Reef | MIN5528 | 100% |
| North of England | MIN5529 | 100% |
| Dunns Reef | EL3422 | 100% |
| Muckleford | EL5177 | 100% |
| West Maldon | EL5499 | 100% |
| **Highlake Resources Pty Ltd** | | |
| Bosuns Reef | MIN5464 | 100% |
| Pearl Croydon | MIN5465 | 100% |
| Specimen Reef | MIN5563 | 100% |
| **Matrix Gold Pty Ltd** | | |
| Black Reef | MIN5433 | 100% |
| Wehla | MIN5574 | 100% |
| **Orion Gold NL (ASX:ORN)** | | |
| Eureka Mine | MIN5487[(*)] | |

[(*)] Binding Term Sheet as announced to ASX 11 August 2015