



**VECTOR RESOURCES LIMITED**  
**and its Controlled Entities**

**ABN 99 107 541 453**

**Half-Year Financial Report**

**31 December 2015**



|  |           |
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## DIRECTORS' REPORT

The Directors of Vector Resources Limited (the "Company" or "Vector") and its controlled entities (the "Group") submit herewith the financial report for the six months ended 31 December 2015 ("half-year").

### DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

|                    |  |
|--------------------|--|
| Mr Gary Castledine | Non-executive Chairman                       |
| Mr Glyn Povey      | Managing Director                            |
| Mr Neville Bassett | Non-executive Director and Company Secretary |
| Mr Brian Williams  | Non-executive Director                       |

### DIVIDENDS

No dividends were paid or declared during the period. No recommendation for the payment of dividends has been received.

### REVIEW AND RESULTS

During the half-year, the Group made a loss of \$7,269,507 (2014: \$6,058,366) including a fair value loss on embedded derivative of \$6,780,000 (2014: gain of \$506,000), amortised cost of embedded derivative of \$178,139 (2014: \$641,000) and loss from discontinued operations of \$142,323 (2014: \$5,899,395).

### Corporate

During the half-year the Company:

- (i) Received notices for the conversion of 1,850,000 convertible notes (**Notes**). Pursuant to the terms of the Notes, the 1,850,000 Notes, with a face value of \$1,850,000, converted at an issue price of \$0.002 per Note into 925,000,000 ordinary fully paid shares in the capital of the Company. The conversion of the Notes has resulted in the extinguishment of liabilities as at 30 June 2015 of \$5,991,861 represented by Borrowings of \$1,671,861 and the Derivative financial instrument of \$4,320,000;
- (ii) Completed a placement of 20,000,000 ordinary fully paid shares at an issue price of 1.4 cents per share, raising \$280,000; and
- (iii) Terminated the agreement with Longflex Southern Cross Mining Limited and Riverglens Corporation Pty Ltd for the disposal of its entire interest in the share capital of Golden Iron Resources Ltd, the holder of the Company's mineral assets. The Company entered into a new agreement with Toil Resources Pty Ltd for the disposal of Golden Iron Resources Ltd on terms no less favourable and for the same consideration payable (\$455,000) pursuant to the Longflex Agreement.
- (iv) Entered into a **non-binding term sheet** to acquire M2M Global Technology Ltd (**M2M**), a rapidly growing global manufacturer and distributor of a unique security device with application in the automotive, boating, transportation and personal use markets. Refer

Note 14 of the Condensed Notes to the Financial Statements for further particulars on the transaction. The Company has been progressing due diligence on M2M and is awaiting audited financial statements as part of the due diligence process.

Subsequent to half-year end, the Company completed the disposal of its interest in Golden Iron Resources Ltd (refer (iii) above).

#### **AUDITORS' INDEPENDENCE DECLARATION**

Section 307C of the *Corporations Act 2001* requires our auditors Grant Thornton Audit Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year report. This Independence Declaration is set out on page 3 and forms part of this *Directors' Report* for the half-year ended 31 December 2015.

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



Mr Gary Castledine

Date: 14 March 2016  
Perth, Western Australia

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**Auditor's Independence Declaration  
To The Directors of Vector Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Vector Resources Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M A Petricevic  
Partner - Audit & Assurance

Perth, 14 March 2016

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

|  | Notes | 31 Dec 2015<br>\$  | 31 Dec 2014<br>\$  |
|--|-------|--------------------|--------------------|
| Other Income   | 2a    | 1,839              | 161,618            |
| Fair value gain/(loss) on embedded derivative            | 10    | (6,780,000)        | 506,000            |
| Impairment of exploration and evaluation                 | 7     | -                  | (15,315)           |
| Travel and Promotion                                     |       | (40)               | (4,545)            |
| Change in fair value of financial assets                 |       | 29,395             | (230)              |
| Employee benefits expense                                |       | (1,248)            | (48,721)           |
| Consulting fees  |       | (24,250)           | (29,590)           |
| Compliance and regulatory expenses                       |       | (67,802)           | (52,571)           |
| Depreciation expense                                     |       | -                  | (1,289)            |
| Due diligence costs                                      |       | (42,500)           | -                  |
| Finance costs  | 2b    | (178,139)          | (578,500)          |
| Directors' fees  |       | (33,750)           | (41,450)           |
| Occupancy expenses                                       |       | (6,364)            | (18,291)           |
| Other expenses   |       | (24,325)           | (36,087)           |
| <b>Loss before tax</b>                                   |       | <b>(7,127,184)</b> | <b>(158,971)</b>   |
| Income tax   |       | -                  | -                  |
| <b>Loss for the period</b>                               |       | <b>(7,127,184)</b> | <b>(158,971)</b>   |
| Loss for the year from discontinued operations           | 5     | (142,323)          | (5,899,395)        |
| <b>Other comprehensive income</b>                        |       |                    |                    |
| Other comprehensive income                               |       | -                  | -                  |
| Other comprehensive Income for the period,<br>net of tax |       | -                  | -                  |
| <b>Total comprehensive loss for the period</b>           |       | <b>(7,269,507)</b> | <b>(6,058,366)</b> |
| Loss Attributable to:                                    |       |                    |                    |
| Members of the parent entity                             |       | (7,269,507)        | (6,058,366)        |
|  |       | <b>(7,269,507)</b> | <b>(6,058,366)</b> |
| Other comprehensive income attributable to:              |       |                    |                    |
| Members of the parent entity                             |       | -                  | -                  |
|  |       | -                  | -                  |
| <i>Basic earnings per Share</i>                          |       |                    |                    |
| Loss from continuing operations                          |       | (0.00564)          | (0.001)            |
| Loss from discontinued operations                        |       | (0.00011)          | (0.022)            |
| <b>Total</b>   |       | <b>(0.00575)</b>   | <b>(0.023)</b>     |
| <i>Diluted earnings per Share</i>                        |       |                    |                    |
| Loss from continuing operations                          |       | (0.00564)          | (0.023)            |
| Loss from discontinued operations                        |       | (0.00011)          | (0.001)            |
| <b>Total</b>   |       | <b>(0.00575)</b>   | <b>(0.023)</b>     |

*The accompanying notes form part of these financial statements.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

|   | Notes | 31 Dec 2015<br>\$ | 30 Jun 2015<br>\$  |
|---|-------|-------------------|--------------------|
| <b>ASSETS</b>   |       |                   |                    |
| <b>Current Assets</b>                                 |       |                   |                    |
| Cash and cash equivalents                             | 4     | 384,465           | 307,221            |
| Other receivables                                     |       | 23,788            | 3,043              |
|   |       | 408,253           | 310,264            |
| Assets and disposal group classified as held for sale | 5     | 455,000           | 455,000            |
| <b>Total Current Assets</b>                           |       | <b>863,253</b>    | <b>765,264</b>     |
| <b>Non-Current Assets</b>                             |       |                   |                    |
| Financial assets                                      | 6     | 35,694            | 6,299              |
| Exploration and evaluation expenditure assets         | 7     | -                 | -                  |
| <b>Total Non-Current assets</b>                       |       | <b>35,694</b>     | <b>6,299</b>       |
| <b>Total Assets</b>                                   |       | <b>898,947</b>    | <b>771,563</b>     |
| <b>LIABILITIES</b>                                    |       |                   |                    |
| <b>Current liabilities</b>                            |       |                   |                    |
| Trade and other payables                              | 8     | 811,555           | 692,227            |
| Deferred Income                                       | 5     | 50,000            | -                  |
| Borrowings  | 9     | -                 | 1,671,861          |
| Derivative financial instruments                      | 10    | -                 | 4,320,000          |
| <b>Total Current Liabilities</b>                      |       | <b>861,555</b>    | <b>6,684,088</b>   |
| <b>Total Liabilities</b>                              |       | <b>861,555</b>    | <b>6,684,088</b>   |
| <b>NET ASSETS/(DEFICIENCY)</b>                        |       | <b>37,392</b>     | <b>(5,912,525)</b> |
| <b>EQUITY</b>   |       |                   |                    |
| Share Capital   | 11    | 38,340,151        | 25,120,727         |
| Reserves  |       | 2,502,913         | 2,502,913          |
| Accumulated losses                                    |       | (40,805,672)      | (33,536,165)       |
| <b>TOTAL EQUITY/(DEFICIENCY)</b>                      |       | <b>37,392</b>     | <b>(5,912,525)</b> |

*The accompanying notes form part of these financial statements.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

|  | Share<br>Capital<br>\$ | Option<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$ |
|--|------------------------|-------------------------|-----------------------------|-------------|
| <b>Balance at 1 July 2014</b>                | 24,947,264             | 2,502,913               | (23,176,440)                | 4,273,737   |
| Loss for the period                          | -                      | -                       | (6,058,366)                 | (6,058,366) |
| Other Comprehensive<br>Income for the period | -                      | -                       | -                           | -           |
| Total Comprehensive loss<br>for the period   | -                      | -                       | (6,058,366)                 | (6,058,366) |
| Proceeds from share issue                    | 202,035                | -                       | -                           | 202,035     |
| Share issue expenses                         | (26,928)               | -                       | -                           | (26,928)    |
| <b>Balance as at 31 Dec<br/>2014</b>         | 25,122,371             | 2,502,913               | (29,234,806)                | (1,609,522) |
|  | Share<br>Capital<br>\$ | Option<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$ |
| <b>Balance at 1 July 2015</b>                | 25,120,727             | 2,502,913               | (33,536,165)                | (5,912,525) |
| Loss for the period                          | -                      | -                       | (7,269,507)                 | (7,269,507) |
| Other Comprehensive<br>Income for the period | -                      | -                       | -                           | -           |
| Total Comprehensive loss<br>for the period   | -                      | -                       | (7,269,507)                 | (7,269,507) |
| Convertible note<br>conversion               | 12,950,000             | -                       | -                           | 12,950,000  |
| Proceeds from share issue                    | 280,000                | -                       | -                           | 280,000     |
| Share issue expenses                         | (10,576)               | -                       | -                           | (10,576)    |
| <b>Balance as at 31 Dec<br/>2015</b>         | 38,340,151             | 2,502,913               | (40,805,672)                | 37,392      |

*The accompanying notes form part of these financial statements.*

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

|   | 31 Dec 2015      | 31 Dec 2014      |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Cash flows from operating activities</b>             |                  |                  |
| Receipts from customers                                 | -                | -                |
| Interest received                                       | 1,842            | 3,765            |
| Payment to suppliers and employees                      | (112,900)        | (170,787)        |
| Payments for production                                 | -                | (2,367,314)      |
| Net cash from discontinued operations                   | -                | 1,624,188        |
| <b>Net cash flows used in operating activities</b>      | <u>(111,058)</u> | <u>(910,148)</u> |
| <b>Cash flows from investing activities</b>             |                  |                  |
| Payments for exploration, evaluation and development    | (89,448)         | (148,329)        |
| Due diligence costs                                     | (42,500)         | -                |
| Proceeds from sale of Golden Iron Resources Ltd         | 50,000           | -                |
| Proceeds from sale of property, plant and equipment     | -                | 63,636           |
| <b>Net cash flows used in investing activities</b>      | <u>(81,948)</u>  | <u>(84,693)</u>  |
| <b>Cash flows from financing activities</b>             |                  |                  |
| Proceeds from issue of shares and options               | 280,000          | 202,035          |
| Cost of share issue                                     | (9,750)          | (16,161)         |
| Proceeds from borrowings                                | -                | 1,600,000        |
| Repayment of borrowings                                 | -                | (1,400,000)      |
| Finance costs   | -                | (92,500)         |
| <b>Net cash flows provided by financing activities</b>  | <u>270,250</u>   | <u>293,374</u>   |
| Net increase/(decrease) in cash and cash equivalents    | 77,244           | (701,467)        |
| <b>Cash and cash equivalents at beginning of period</b> | 307,221          | 1,116,128        |
| Included in disposal group                              | -                | 54,586           |
| <b>Cash and cash equivalents at end of period</b>       | <u>384,465</u>   | <u>469,247</u>   |

*The accompanying notes form part of these financial statements.*

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation of Accounting Policies**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standard AASB 134: Interim Financial Reporting*. Compliance with *Australian Accounting Standards* ensures that the financial statements and notes also comply with *International Financial Reporting Standards*.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Vector Resources Limited and its controlled entities ('Group') during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2015 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The Group has adopted all of the new and revised Standards and Interpretations issued by the *Australian Accounting Standards Board* (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

**New and amended standards adopted by the Group**

The accounting policies adopted in the preparation of the interim financial reports are consistent with those followed in preparation of the Group's annual financial statements for the year ended 30 June 2015. A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change the accounting policies or make retrospective adjustments as a result of adopting these standards.

**Impact of standards issued but not yet applied by the Group**

There are no standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group has not early adopted any of the standards, interpretations or amendments that have been issued but are not yet effective.

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

### Going Concern

The Group made a loss of \$7,269,507 (2014: \$6,058,366) including a fair value loss on embedded derivative of \$6,780,000 (2014: gain of \$506,000), amortised cost of embedded derivative of \$178,139 (2014: \$641,000) and loss from discontinued operations of \$142,323 (2014: \$5,899,395) for the half year ended 31 December 2015 and had a net cash outflow from operating activities of \$111,058 (2014: \$910,148).

The Board considers that Vector is a going concern and recognises that additional funding is required to ensure that it can continue to fund its operations during the twelve month period from the date of this report. Such additional funding, as the company has successfully accessed previously, can be derived from either one or a combination of the following:

- Raising additional capital to fund the Group's ongoing operational and working capital requirements, as and when required;
- Debt finance including convertible notes issues; or
- The farm-down or sale its mineral interest;

As reported, the company has entered an agreement to dispose of its portfolio of mineral interests for a consideration of \$455,000. As at 31 December 2015, \$50,000 had been received as a deposit and the balance of \$405,000 was received subsequent to half-year end. The disposal will also significantly reduce the company's ongoing costs of operation, relating to exploration expenditure commitments.

The Group has also taken steps to further reduce operating and overhead costs, including relocation to shared office space and staff redundancies. In addition, directors and their related entities have provided their support to the company by undertaking to not call upon the company for payment of outstanding fees until the Group is in a position to repay.

Accordingly, the Directors believe that subject to prevailing equity market conditions, Vector will obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

Should Vector be unable to obtain sufficient funding as outlined above, there is a material uncertainty that may cast significant doubt whether it will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should it not continue as a going concern.

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

### **Financial instruments**

#### **Recognition, Initial Measurement and Derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### **Classification and subsequent measurement of financial liabilities**

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at Fair Value Through Profit or Loss (FVTPL), that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### **Available-for-sale financial assets**

Available-for-sale (AFS) financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as Current Assets.) The fair values for the available for sale assets are determined by the market price of the equities at balance date. All AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses, which are recognised in profit or loss.

Reversals of impairment losses for AFS securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

#### **Derivative financial instruments and hedge accounting**

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

#### **Fair value measurement of financial instruments**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three (3) levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

All financial assets are determined to be Level 1.

### Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2015. The only exception is the estimate of fair value with regards to the financial liabilities recognised in the current period. The fair value must be estimated for recognition and measurement for disclosure purposes. The fair value of financial instruments which are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and market assumptions that are based on market conditions existing at reporting date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar instruments.

### NOTE 2: LOSS FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

|                                     | <b>Consolidated Group</b> |                         |
|-------------------------------------|---------------------------|-------------------------|
|                                     | <b>31 December 2015</b>   | <b>31 December 2014</b> |
|                                     | \$                        | \$                      |
| <i>a. Non-operating activities</i>  |                           |                         |
| Interest income                     | 1,839                     | 3,765                   |
| Muriels Extension stamp duty refund | -                         | 157,853                 |
|                                     | 1,839                     | 161,618                 |
| <i>b. Finance costs</i>             |                           |                         |
| Finance costs                       | (178,139)                 | (641,000)               |
| Interest                            | -                         | (92,500)                |
| Forgiveness of interest accrued     | -                         | 155,000                 |
|                                     | (178,139)                 | (578,500)               |

### NOTE 3: SEGMENT INFORMATION

#### a. Type and Location

The operating segments are identified by the Directors based on the type of exploration being conducted by the Group. Financial information of these operating businesses is reported to the Board on a regular basis.

During the current period the Group has two operating segments being Iron Ore and Gold exploration located in Western Australia. All other activities are considered to relate to the Corporate Head Office.

#### b. Basis of accounting for purposes of reporting by operating segments

Unless stated otherwise, all amounts reported to the Directors are determined in accordance with accounting policies that are consistent with those adopted in the Annual Financial Statement of the Group.

| Segment Performance                           | Iron Ore |       | Gold      |             | Unallocated |           | Total       |             |
|---|----------|-------|-----------|-------------|-------------|-----------|-------------|-------------|
|   | 2015     | 2014  | 2015      | 2014        | 2015        | 2014      | 2015        | 2014        |
|   | \$       | \$    | \$        | \$          | \$          | \$        | \$          | \$          |
| Other income                                  | -        | -     | -         | 158,087     | 1,839       | 3,531     | 1,839       | 161,618     |
| Fair value gain on embedded derivative        | -        | -     | -         | -           | (6,780,000) | 506,000   | (6,780,000) | 506,000     |
| Impairment of exploration and evaluation      | -        | (934) | -         | (14,381)    | -           | -         | -           | (15,315)    |
| Travel and promotion                          | -        | -     | -         | -           | (40)        | (4,545)   | (40)        | (4,545)     |
| Change in fair value of financial assets      | -        | -     | -         | -           | 29,395      | (230)     | 29,395      | (230)       |
| Employee benefits expenses                    | -        | -     | -         | -           | (1,248)     | (48,721)  | (1,248)     | (48,721)    |
| Consulting fees                               | -        | -     | -         | -           | (24,250)    | (29,590)  | (24,250)    | (29,590)    |
| Compliance and regulatory expenses            | -        | -     | -         | -           | (67,802)    | (52,571)  | (67,802)    | (52,571)    |
| Depreciation expense                          | -        | -     | -         | -           | -           | (1,289)   | -           | (1,289)     |
| Due diligence costs                           | -        | -     | -         | -           | (42,500)    | -         | (42,500)    | -           |
| Finance costs                                 | -        | -     | -         | -           | (178,139)   | (578,500) | (178,139)   | (578,500)   |
| Directors' fees                               | -        | -     | -         | -           | (33,750)    | (41,450)  | (33,750)    | (41,450)    |
| Occupancy costs                               | -        | -     | -         | -           | (6,364)     | (18,291)  | (6,364)     | (18,291)    |
| Other expenses                                | (50)     | (52)  | -         | (4)         | (24,275)    | (36,031)  | (24,325)    | (36,087)    |
|   | (50)     | (986) | -         | 143,702     | (7,127,134) | (301,687) | (7,127,184) | (158,971)   |
| Operating losses from discontinued operations | -        | -     | (142,323) | (5,899,395) | -           | -         | (142,323)   | (5,899,395) |
| Loss for the period                           | (50)     | (986) | (142,323) | (5,755,693) | (7,127,134) | (301,687) | (7,269,507) | (6,058,366) |

|   | Iron Ore    |             | Gold        |             | Unallocated |             | Total       |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | 31 Dec 2015 | 30 Jun 2015 | 31 Dec 2015 | 30 Jun 2015 | 31 Dec 2015 | 30 Jun 2015 | 31 Dec 2015 | 30 Jun 2015 |
|   | \$          | \$          | \$          | \$          | \$          | \$          | \$          | \$          |
| Segment Assets  |             |             |             |             |             |             |             |             |
| Exploration Expenditure                                     |             |             |             |             |             |             |             |             |
| Opening balance   | -           | -           | -           | 6,383,533   | -           | -           | -           | 6,383,533   |
| Exploration expenses  | -           | 934         | -           | 298,941     | -           | -           | -           | 299,875     |
| Exploration Written off                                     | -           | (934)       | -           | (6,227,474) | -           | -           | -           | (6,228,408) |
| Amortisation  | -           | -           | -           | -           | -           | -           | -           | -           |
| Transferred to assets<br>classified as held for re-<br>sale | -           | -           | -           | (455,000)   | -           | -           | -           | (455,000)   |
|   | -           | -           | -           | -           | -           | -           | -           | -           |
| Other assets  | 3,043       | 3,093       | 455,000     | 455,000     | 440,904     | 313,470     | 898,947     | 771,563     |
| Total Assets  | 3,043       | 3,093       | 455,000     | 455,000     | 440,904     | 313,470     | 898,947     | 771,563     |
| Segment liabilities   | (165)       | (165)       | -           | -           | (861,390)   | (6,683,923) | (861,555)   | (6,684,088) |
| Net Assets  | 2,878       | 2,928       | 455,000     | 455,000     | (420,486)   | (6,370,453) | 37,392      | (5,912,525) |

#### NOTE 4: CASH AND CASH EQUIVALENTS

|                                  | Consolidated<br>31 December 2015<br>\$ | Consolidated<br>30 June 2015<br>\$ |
|----------------------------------|--|------------------------------------|
| <b>Cash and cash equivalents</b> |  |                                    |
| Cash at bank                     | 372,465                                | 295,221                            |
| Secured Credit Card Bond         | 12,000                                 | 12,000                             |
|                                  | <u>384,465</u>                         | <u>307,221</u>                     |

#### NOTE 5: ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 13 March 2015 the Company entered into a binding term sheet with Longflex Southern Cross Mining Limited and Riverglens Corporation Pty Ltd (**Longflex**) (**Agreement**) for the disposal of its entire interest in the share capital of Golden Iron Resources Ltd (**Golden Iron**), the holder of the Company's portfolio of mineral interests, being the main undertaking of the Company (**Disposal**).

The key terms of the Disposal are as follows:

- (i) Completion of the Disposal is subject to and conditional on:
  - (a) The Company obtaining shareholder approval for the Disposal pursuant to ASX Listing Rule 11.2; and
  - (b) Satisfactory completion of due diligence by Longflex; and
  - (c) Completion of a formal share sale agreement on terms reasonably acceptable to Vector and Longflex;
- (ii) The consideration to be paid by Longflex for the Disposal is the sum of \$455,000.

The Company obtained Shareholder approval on 4 May 2015.

On 8 December 2015, the Company announced that it had terminated the Agreement with Longflex.

The Company has entered into a new agreement with Toil Resources Pty Ltd for the disposal of Golden Iron Resources Ltd on terms no less favourable and for the same consideration payable pursuant to the Longflex Agreement.

Subsequent to Half-Year end, the Company completed the disposal of its interest in the share capital of Golden Iron Resources Ltd.

Opening loss of the Company and subsidiaries' until the date of disposal and the profit and loss from re-measurement and disposal of assets and liabilities classified as held for sale is summarised as follows:

**NOTE 5: ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)**

|  | <b>Consolidated Group</b> |                         |
|--|---------------------------|-------------------------|
|  | <b>31 December 2015</b>   | <b>31 December 2014</b> |
|  | \$                        | \$                      |
| Operating sales revenue                          | -                         | 3,276,478               |
| Cost of sales                                    | -                         | (2,974,607)             |
|  | -                         | 301,871                 |
| Other income                                     | -                         | 5,954                   |
| Impairment of exploration and evaluation         | -                         | (6,162,283)             |
| Exploration expenditure not capitalised          | (142,323)                 | -                       |
| Occupancy costs                                  | -                         | (6)                     |
| Other expenses                                   | -                         | (44,931)                |
|  | (142,323)                 | (6,201,266)             |
| Loss for the period from discontinued operations | (142,323)                 | (5,899,395)             |

The major classes of assets and liabilities of the Company included in the disposal group classified as held for sale are as follows:

|   | <b>Consolidated Group</b> |                     |
|---|---------------------------|---------------------|
|   | <b>31 December 2015</b>   | <b>30 June 2015</b> |
|   | \$                        | \$                  |
| Non-current assets:                           |                           |                     |
| Property, plant and equipment                 | -                         | -                   |
| Exploration and evaluation expenditure assets | 455,000                   | 455,000             |
| Current assets                                |                           |                     |
| Inventories                                   | -                         | -                   |
| Other receivables                             | -                         | -                   |
| Cash and cash equivalents                     | -                         | -                   |
| Assets classified as held for sale            | 455,000                   | 455,000             |
| Trade and other payables                      | -                         | -                   |
| Liabilities classified as held for sale       | -                         | -                   |

Cash flows generated by the Company and subsidiaries for the reporting periods under review until the disposal are as follows:

|   | <b>Consolidated Group</b> |                         |
|---|---------------------------|-------------------------|
|   | <b>31 December 2015</b>   | <b>31 December 2014</b> |
|   | \$                        | \$                      |
| Operating activities                    | -                         | 1,677,686               |
| Investing activities                    | -                         | (53,498)                |
| Cash flows from discontinued operations | -                         | 1,624,188               |

**NOTE 5: ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)**

|                       | <b>Consolidated Group</b> |                     |
|-----------------------|---------------------------|---------------------|
|                       | <b>31 December 2015</b>   | <b>30 June 2015</b> |
|                       | \$                        | \$                  |
| Current liability:    |                           |                     |
| Deferred Income       | 50,000                    | -                   |
| Total Deferred Income | 50,000                    | -                   |

As at 31 December 2015, the Company has received a non-refundable deposit of \$50,000 of the \$455,000 from Toil Resources Pty Ltd for the Golden Iron Resources Ltd sale.

**NOTE 6: FINANCIAL ASSETS**

|                                     | <b>Consolidated<br/>31 December 2015</b> | <b>Consolidated<br/>30 June 2015</b> |
|-------------------------------------|--|--------------------------------------|
|                                     | \$                                       | \$                                   |
| Available for Sale Financial Assets | 314,951                                  | 314,951                              |
| Provision for impairment            | (279,257)                                | (308,652)                            |
|                                     | 35,694                                   | 6,299                                |

Available for sale financial assets have been valued based on the market value at the year end. Considered to be a level 1 valuation expert.

**NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE**

|  | <b>Consolidated<br/>31 December 2015</b> | <b>Consolidated<br/>30 June 2015</b> |
|--|--|--------------------------------------|
|  | \$                                       | \$                                   |
| <i>Non-Current</i>                                   |  |                                      |
| Deferred exploration expenditure, at cost            | -  | -                                    |
| Exploration expenditure movement:                    |  |                                      |
| Brought forward at beginning of year                 | -  | 6,383,533                            |
| Exploration expenditure impaired during the year (i) | -  | (6,228,407)                          |
| Exploration expenditure capitalised during the year  |  | 299,874                              |
| Transferred to assets classified as held for re-sale | -  | (455,000)                            |
| Carried forward exploration expenditure              | -  | -                                    |

The value of the company's interest in exploration evaluation expenditure is dependent upon:

- The continuance of the company's right of tenure of the areas of interest;
- The results of future exploration; or
- The recoupment of costs through successful development and exploitation of the areas of interest or, alternatively, by their sale.

## NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE (continued)

There may exist, on the company's exploration properties, areas subject to claim under Native Title or containing sacred sites or sites of significance to Aboriginal people. As a result, the company's exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

After the completion of the sale of Golden Iron Resource Ltd (refer note 5), the Company will no longer hold tenements.

Subsequent to Half-Year end, the Company completed the disposal of its interest in the share capital of Golden Iron Resources Ltd.

## NOTE 8: TRADE AND OTHER PAYABLES

|                                       | Consolidated<br>31 December 2015<br>\$ | Consolidated<br>30 June 2015<br>\$ |
|---------------------------------------|--|------------------------------------|
| <i>Current</i>                        |  |                                    |
| Trade payables                        | 84,160                                 | 54,706                             |
| Other payables                        | 15,593                                 | 44,778                             |
| Due to Directors and related entities | (i) 711,802                            | 592,743                            |
|                                       | <u>811,555</u>                         | <u>692,227</u>                     |

- (i) The Directors have provided the Group with written confirmation that these payments will be deferred until such time that the Group has sufficient funds. Refer to Note 1 for further details.

## NOTE 9: BORROWINGS

|                                | Consolidated<br>31 December 2015<br>\$ | Consolidated<br>30 June 2015<br>\$ |
|--------------------------------|--|------------------------------------|
| Unsecured Convertible Notes(i) | -                                      | 1,671,861                          |
|                                | <u>-</u>                               | <u>1,671,861</u>                   |

- (i) Unsecured Convertible Notes

The principle terms of the unsecured convertible notes are as follows:

Redemption Date: 12 months from date of issue

Conversion Price: the lesser of:

- a) The lowest issue price of Shares during the Conversion Period; or
- b) The price that is 80% of the volume weighted average market price of the company's ordinary fully paid shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue

Conversion Period: A noteholder may convert at any time prior to the Redemption Date.

Interest Rate: Nil%

Due to the terms of the unsecured convertible notes, there is an embedded derivative liability which is measured at fair value as a derivative financial instrument (refer Note 10).

During the period, the 1,850,000 Notes were converted at an issue price of \$0.002 per Note into 925,000,000 Shares.

## NOTE 10: DERIVATIVE FINANCIAL LIABILITIES

|  | <b>Consolidated<br/>31 December 2015</b> | <b>Consolidated<br/>30 June 2015</b> |
|--|--|--------------------------------------|
|  | <b>\$</b>                                | <b>\$</b>                            |
| Derivative liability from convertible financing facility | -  | 4,320,000                            |
|  | -  | 4,320,000                            |

Movement in derivative liabilities during the period:

|   | <b>Consolidated<br/>31 December 2015</b> | <b>Consolidated<br/>30 June 2015</b> |
|---|--|--------------------------------------|
|   | <b>\$</b>                                | <b>\$</b>                            |
| Carrying amount at 1 July                                     | 4,320,000                                | -                                    |
| Recognition of derivative from convertible financing facility | -  | 1,522,875                            |
| Fair value movement   | 6,780,000                                | 2,797,125                            |
| Conversion of derivative liability                            | (11,100,000)                             | -                                    |
|   | -  | 4,320,000                            |

### (i) Derivative financial instruments

Due to the terms of the convertible notes (refer Note 9) there was an embedded derivative liability. The derivative liability was measured at fair value on date of issue and remeasured at fair value at subsequent reporting periods, with a gain/loss in the statement of profit or loss and other comprehensive income.

The value of the derivative fluctuated with the Group's underlying share price and the time to expiry. The change in the value of the derivatives between 30 June 2015 and 31 December 2015 was due to the difference in the share price between 30 June 2015 and the conversion date.

During the period, the convertible notes were converted to ordinary equity (refer Note 9) extinguishing the embedded derivative liability.

## NOTE 11: SHARE CAPITAL

|   | <b>Consolidated<br/>31 December 2015</b> | <b>Consolidated<br/>30 June 2015</b> |
|---|--|--------------------------------------|
|   | <b>\$</b>                                | <b>\$</b>                            |
| At the beginning of the reporting period                              | 25,120,727                               | 24,947,264                           |
| Fully paid ordinary shares issued from conversion of convertible note | 12,950,000                               | -                                    |
| Fully paid ordinary shares issued from capital raising                | 280,000                                  | 202,035                              |
| Share issue costs   | (10,576)                                 | (28,572)                             |
| At reporting date   | 38,340,151                               | 25,120,727                           |

  

|                          | <b>Number of shares</b> | <b>Number of shares</b> |
|--------------------------|-------------------------|-------------------------|
| Opening balance          | 404,071,146             | 303,053,646             |
| Issued during the period | 945,000,000             | 101,017,500             |
| Closing balance          | 1,349,071,146           | 404,071,146             |

## NOTE 12: DIVIDENDS

No dividends have been paid or declared in respect of the half year ended 31 December 2015.

## NOTE 13: COMMITMENTS AND CONTINGENCIES

|  | Consolidated<br>31 December 2015<br>\$ | Consolidated<br>31 December 2014<br>\$ |
|--|--|--|
| <b>Exploration Expenditure</b>                                 |  |  |
| No later than one (1) year                                     | -                                      | -                                      |
| Longer than one (1) year, but no<br>longer than five (5) years | -                                      | -                                      |
| Longer than five (5) years                                     | -                                      | -                                      |
|  | -                                      | -                                      |

Vector by way of agreement relinquished the last of its tenements and as such have no exploration expenditure commitments post 31 December 2015 (refer Note 5).

## NOTE 14: M2M GLOBAL TECHNOLOGY LTD ACQUISITION

During the half year the Company entered into a **non-binding term sheet** to acquire M2M Global Technology Ltd (**M2M**), a rapidly growing global manufacturer and distributor of a unique security device with application in the automotive, boating, transportation and personal use markets.

Under the terms of the non-binding agreement to acquire M2M, the form of consideration for the acquisition shall be negotiated taking to account the results of due diligence, but to essentially be on the basis of:

- (i) Subject to an agreed cash component, if any, the issue of up to such number of ordinary fully paid shares (**Shares**) in the capital of Vector to the M2M security holders as will equate to an aggregate holding of approximately 85% of Vector on a fully diluted basis at the date of a Concluded Agreement. The determination of the number of Shares to be issued as consideration will be before the issue of Shares pursuant to a proposed capital raising to facilitate re-compliance with Chapters 1 and 2 (refer conditions below); and
- (ii) The securities to be issued as consideration shall be subject to performance milestones to be agreed between the parties.

The transaction is conditional upon:

- Vector completing all legal, financial and technical due diligence in respect to M2M within 60 days of the execution of the term sheet;
- Vector completing a capital raising to facilitate re-compliance with Chapters 1 and 2 of the ASX Listing Rules. Vector will seek to raise not less than \$4 million at a price to be determined and agreed between the parties;
- Execution of a concluded agreement by Vector and each holder of securities in M2M and any other documentation required to implement the transaction within seven days of expiry of the due diligence period and then complete the concluded agreement within 90 days from the date thereof;

**NOTE 14: M2M GLOBAL TECHNOLOGY LTD ACQUISITION (continued)**

- Vector holding a shareholder meeting to obtain all necessary approvals, including those contained in ASX Listing Rule 11.1 and a change in Vector's name to M2M Global Technology Limited; and
- ASX granting conditional approval to reinstate the securities of Vector to trading on ASX (after Vector re-complies with Chapters 1 and 2 of the ASX Listing Rules)

Since the transaction will result in a significant change to the nature and scale of Vector's activities, the transaction will require Vector shareholders' approval under ASX Listing Rule 11.1.2 and will also require Vector to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

A Notice of Meeting seeking shareholder approval for the resolutions required to effect the merger will be sent to Vector shareholders in due course.

On the date of the meeting, Vector securities will be suspended from trading and subject to Vector shareholder approval being obtained, will remain suspended until Vector has re-complied with ASX Listing Rules and the transaction has been completed.

**NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE**

There are no events subsequent to the reporting date that require disclosure, other than:

- Completion of the disposal by the Company of its interest in the share capital of Golden Iron Resource Ltd, the holder of the Company's mineral assets.

## DIRECTORS' DECLARATION

The Directors declare that:

- the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - i. give a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date; and
  - ii. comply with *Accounting Standard AASB 134 Interim Financial Reporting*.
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Signed in accordance with a resolution of the Board of Directors.



Mr Gary Castledine  
Chairman

Perth, 14 March 2016

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## **Independent Auditor's Review Report To the Members of Vector Resources Limited**

We have reviewed the accompanying half-year financial report of Vector Resources Limited ("Company"), which comprises the consolidated financial statements being the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

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

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Vector Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance

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with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vector Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

### **Material uncertainty regarding continuation as a going concern**

Without qualification to the conclusion expressed above, we draw attention to Note 1 to the financial statements which indicates that the consolidated entity incurred a net loss of \$7,269,507 (2014: \$6,058,366); a fair value loss on embedded derivative \$6,780,000 (2014: gain of \$506,000); amortised cost of embedded derivative of \$178,139 (2014: \$641,000); and loss from discontinued operations of \$142,323 (2014: \$5,899,395); and net cash outflow from operating activities of \$111,058 (2014: \$910,148) during the half-year ended 31 December 2015.

These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M A Petricevic  
Partner - Audit & Assurance

Perth, 14 March 2016