

FINDERS RESOURCES LIMITED

ABN 82 108 547 413

FINANCIAL REPORT

YEAR ENDED 31 DECEMBER 2015

CHAIRMAN'S STATEMENT

It gives me great pleasure to present the 2015 Annual Report for Finders Resources Limited.

The past 12 months has seen a period of significant transformation for Finders at our Wetar Copper Project in Indonesia, as we advance the construction of the 25,000 tonne per annum (t.p.a.) solvent extraction-electrowinning (SX-EW) plant while continuing production of copper cathode from our 3,000 t.p.a plant. This expansion project was made possible by a US\$162 million funding commitment from a consortium of lenders including BNP Paribas, Commonwealth Bank of Australia, HSBC and Societe Generale as well as US\$45 million in project level equity from Daewoo International Corporation.

Notwithstanding the very tight construction schedule and logistical challenges operating in a remote location, it is a credit to our management and contractors that this project remains on budget with only a slight variation to the timeframe. We now expect to begin cathode production from the expansion project early in the second quarter of 2016, and this milestone will see Finders achieving its goal of becoming a significant and low-cost copper cathode producer.

It was pleasing that our staff and contractors achieved a Lost Time Injury Frequency Rate of zero for the year and is a demonstration of our commitment to safety, even during such a busy construction period where the project workforce at times exceeded 800 personnel. Significantly, there were also no environmental non-compliance issues reported throughout the year.

Finders has also been actively working with local communities on a number of initiatives targeting health and economic development. These programs included employment, agricultural initiatives and the provision of more accessible medical services. Our local residents now make up more than half of the total project workforce and have played a vital role during the construction phase at Wetar. It has been particularly gratifying to see the benefits that our employment and training programs have created for the local community.

Finally, I take this opportunity to thank my fellow Board members for their contribution over the past year, as well as all our management and staff both in Australia and Indonesia for their determination and diligence during such a busy and productive period. I also thank our shareholders for their loyalty and patience throughout the year.

The coming 12 months are set to be rewarding for Finders and I look forward to further updating you on the goals we have set.

Gary Comb

Chairman

31 March 2016

MANAGING DIRECTOR'S REVIEW

Wetar Copper Project, Indonesia (Finders - 72%)

Background

The Wetar Copper Project is located on the remote and lightly populated island of Wetar in eastern Indonesia and comprises the development, mining and processing of massive sulphide deposits (Kali Kuning and Lerokis) located at or near the northern coastline of the island. The Project Ore Reserve is estimated at 8.9 million tonnes at an average copper grade of 2.4%, containing approximately 210,000 tonnes of copper.

Finders is currently operating a 3,000 tonnes per annum (t.p.a.) solvent extraction electrowinning (SX-EW) copper cathode plant with construction activities at an advanced stage to expand the project to 28,000 t.p.a. through the addition of a 25,000 t.p.a. SX-EW copper cathode plant. The expansion project is fully permitted with an initial mine life projected at 10.5 years and a total copper cathode production of 155,000 tonnes.

A Bankable Feasibility Study (BFS) completed in 2011 was revised and updated in November 2013 with key findings as follows:

	BFS November 2013
Ore Reserves ¹	8.9 Mt
Strip Ratio	0.9
Initial Mine Life	10.5 years
Average Copper Grade	2.4%
Cathode Production Capacity	28,000 t.p.a.
LOM Cathode Production	155,000 t
Average Copper Recovery	74%
Operating Cash Cost (efficient production) ²	US\$0.88/lb
Capital Costs (pre accuracy provision and contingency)	US\$132.4m

Notes:

1. There is an additional 0.2 MT of Inferred Resource within the pit shell not included in the above Ore Reserve
2. Operating Cash Costs exclude royalties (4%), corporate costs and marketing costs (expected to be zero after netting off sales premiums). Efficient production is defined as a rate greater than 1,500 t.p.m.

3,000 t.p.a. SX-EW Plant

The 3,000 t.p.a. plant performed to expectations throughout the year, producing a total of 1,226 tonnes of copper cathode with 889 tonnes of LME Grade A copper cathode sold at an average price of US\$2.35/lb without any specification issues.

		Full Year 2014 Total	June 15 Half- Year	September 15 Quarter	December 15 Quarter	Full Year 2015 Total
Ore stacked	t	139,587	44,540	42,898	97,119	184,557
Grade	% Cu	2.42	1.72	1.59	1.99	1.83
Metal stacked	t Cu	3,385	764	682	1,935	3,381
Copper stripped	t Cu	1,416	307	425	494	1,226
Copper sold	t Cu	1,306	203	406	280	889
Copper sale price	US\$/lb Cu	2.88	2.68	2.38	2.08	2.35

Process improvements were made to the heap leach pads following the introduction of raincoats for the purpose of shedding water during the wet season. The covers had previously restricted the flow of air during the heap aeration process, lowering recovered copper.

Ore stacking on the new Gold Pit Leach Pad (GPLP) commenced during the June 2015 quarter, with the GPLP providing sufficient capacity to allow for continuous crushing and stacking of ore until the main leach pads in the Kali Kuning Valley (KKV) are completed.

Late in the year, focus switched to stacking of the KKV heap leach pads in preparation for commissioning of the 25,000 t.p.a. SX-EW plant, with the stacker and conveyors being moved for use with the new crushing circuit. At year end, ore mining was well advanced ahead of crusher commissioning, with more than 90,000 tonnes of ore stockpiled.

25,000 t.p.a SX-EW Plant Construction

Development activities for the 25,000 t.p.a. SX-EW expansion project commenced in late 2014 and construction was well advanced by year end.

Major earthmoving and construction works completed during 2015 included:

- Site works for 25,000 t.p.a. plant and other mine infrastructure
- Gold Pit Leach Pad
- Intermediate Leach Solution and Raffinate Pond
- Wetlands
- Emergency Airstrip
- Stormwater Pond 2
- Concrete works for the new SX-EW plant
- Accommodation camp and associated facilities
- Power station
- Office and mess facilities
- On-site medical clinic

The majority of construction activities were complete by year end assisted by a late commencement to the wet season. The schedule has slipped slightly due to delivery delays on some materials, including structural steel. Activities outstanding as at 31 December 2015 included;

- Construction of Stormwater Pond 3
- Construction and stacking of the KKV leach pad
- Solution ponds servicing the new SX-EW plant
- Construction of the SX-EW plant
- Electrical works
- Installation of new fuel storage tanks
- Construction of the workshop and warehouse

First cathode production is expected early in the 2nd quarter of 2016 and the project remains on budget.

Project Upside

There are opportunities to extend the mine life beyond the initial 10.5 years as outlined in the revised BFS released to the ASX on 20 November 2013. Exploration is planned to resume in 2016, focussing initially on the nearby satellite Meron massive sulphide deposit and then on other copper and gold targets identified on the island by previous explorers, including Karkopang.

Project Financing

In November 2014, Finders Indonesian subsidiary, PT Batutua Tembaga Raya (BTR) entered into a Senior Facilities Agreement with BNP Paribas, Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation (HSBC) and Societe Generale (“the Senior Lenders”), providing for a US\$162 million commitment from the Senior Lenders, consisting of:

- US\$127 million term loan facility (reduced by US\$3 million following a reduction in the forecast capital expenditure);
- US\$20 million cost overrun facility;
- US\$15 million VAT working capital facility.

At the same time, the Group entered into a number of agreements with Daewoo International Corporation (Daewoo) pursuant to which Daewoo provided US\$45 million of project level equity via a subscription of shares in and a loan to BTR in consideration for a 24.1% shareholding in BTR, which has an economic interest of 95% in the Wetar Project. The agreements with Daewoo satisfied the minimum equity raising requirements under the Senior Facilities Agreement.

The agreements will be sufficient to enable the completion of construction of the 25,000 t.p.a. SX-EW plant.

The first drawdown from the Senior Facilities Agreement of US\$19 million occurred in May 2015 with the total amount drawn down at the end of the year standing at US\$91 million. BTR remains comfortably in compliance with all covenants.

BTR also completed a mandatory hedging program in May 2015. Under the hedging program, BTR forward sold 40,700 tonnes of copper cathode over the period from July 2016 to March 2019 which represents approximately 26% of the estimated life of mine production (and less than 20% of reserves) for the Project. The average price secured for the copper was US\$5,940 per tonne after all costs.

In August BTR entered into forward purchase agreements for a total of 40 million litres of diesel for the 2016 and 2017 calendar year. This represents approximately 65% of the forecast fuel exposure of the Project during that period.

The fair value of the hedges entered into by BTR as at 31 December 2015 is as follows:

- | | |
|------------------|-------------------------|
| - Copper hedging | US\$49.2 million |
| - Fuel hedging | (US\$4.8 million) |
| - Total | US\$44.4 million |

As at 31 December 2015, Finders and BTR had cash of AU\$33.7 million.

OH&S

Finders and its partners are committed to the highest standards of occupational health and safety (OHS) and believe that every employee, subcontractor and visitor who comes to site has the right to leave free of injury or work related injury.

There were no serious injuries recorded during the year, with the Lost Time Injury Frequency Rate (LTIFR) remaining at zero. The 12 month rolling LTIFR is 0.00 and the Injury Severity Rate is 0.00. There were no injuries requiring medical treatment recorded, with all employees returning to normal duties immediately following first aid treatment at the on-site medical clinic.

Community Development

With respect to responsible social management, the Company believes that building relationships with local communities based on trust and mutual respect is paramount to business success and sustainability. The Company acknowledges its social responsibility such that its projects should bring benefits to the surrounding communities.

During the year, stakeholder engagement included information meetings and site visits with various Government officials, community leaders, elders and landowners. The Company's community development programs mainly assisted with health and economic development and included:

- agriculture initiatives, including vegetable growing and chicken farming, which increased as the number of workers on the project increased;
- a community employment initiative, which was extended to island villages further afield of the operation following the successful recruitment program from the three local villages. At the end of the year, a total of 479 of the 815 company employees at the Project originate from the local region, which is equivalent to 59% of the total Project workforce;
- increasing staffing levels at the local health centre and two medical posts to reduce dependency on the on-site medical clinic;
- allocation of 10% of the available passenger seats on marine vessels servicing the Project to the local community; and
- the construction of an emergency airstrip for medical evacuation of both employees and local residents, potentially eliminating a 15 hour boat trip.

Environment

Responsible environmental management and leading environmental performance is integral to an effective and successful company.

The Company adopts "best practice" environmental management techniques from the wider mining community, particularly Australian standards of operation, in managing environmental issues at all its project areas.

At each of its project areas, the Company has engaged reputable independent consultants to undertake extensive environmental studies, including base line studies, design of monitoring programs and rehabilitation. The Company is not aware of any endangered species of flora or fauna in these project areas.

The Company's projects are subject to relevant environmental regulations in Indonesia and will themselves have varying levels and types of potential impact on the natural environment. At Wetar, the project site has historical degradation from former gold mining operations and the baseline reflects water quality in an area of acid rock drainage and former gold mining activities. Monitoring activities are conducted under the auspices of an approved environmental permit and all environmental studies and on-going monitoring results are reported on a quarterly basis to the relevant Indonesian authorities.

The Company is also required to comply with Indonesian laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials.

Environmental monitoring activities and reporting to the relevant Indonesian authorities in accordance with the Project's environmental permit was ongoing and no non-compliance occurrences were reported for the 12-month period.

Water quality monitoring includes daily pH and weekly pH and dissolved metal monitoring. Water quality analysis at the wetland discharge compliance point was completed in accordance with requirements and no non-compliances occurred.

Ojolali Gold-Silver Project (Finders - 72%)

Background

Ojolali is an advanced stage gold-silver project covering a large epithermal system within the highly productive Sumatran Gold Belt. Gold mineralisation is widespread within the belt with several mines operational during Dutch colonial times. Current gold mines in operation include Martabe (G-Resources), Way Linggo (Kingsrose) and Tembang (Sumatra Copper & Gold).

The Jambi oxide gold resource (Indicated and Inferred Resource of 6.5 Mt at 0.8g/t Au and 4.8g/t Ag) has potential for the development of a small-scale heap leach operation.

With widespread gold-in-soil geochemical anomalies over an area 8km north-south and up to 5km wide, Finders considers that there is strong potential for additional discoveries.

Activities

Field activities completed during the year included additional sampling of infill trenches at prospective locations within the project licence identified by either anomalous soil values or gradient array IP geophysical surveys. The results from this work were detailed in a release to the ASX on 28 January 2015.

The Ojolali exploration licence (IUP B.24/DPE-WK/HK/2014) expired on 11 March 2015. Prior to the expiry of the exploration license, an application with the required supporting documents for a mining licence (IUP Operation Production) was lodged with the Provincial Mines Department. If approved, the mining license will provide tenure of 20 years.

Finders also completed a series of formal meetings related to the award of the AMDAL study covering the potential gold heap leach operations at the Jambi prospect. Final documents were completed for the following:

- Environmental Impact Analysis (AMDAL), containing definition of the environmental baseline;
- Environmental Management Plan (RKL), together with mine closure objectives; and
- Environmental Monitoring Plan (RPL).

The AMDAL was awarded by the Governor of Lampung in September 2015, and included an approved Environmental Impact Analysis, Environmental Management Plan and Environmental Monitoring Plan. The Governor of Lampung also awarded an “Izin Lingkungan”, being a secondary environmental permit required before activities in the production stage can commence.

The Mines Department continued to evaluate a number of other documents submitted by the Company in support of its application for an Operation Production permit, with site visits completed and an informal meeting regarding study assumptions, waste management and scope of the mine closure program. At year’s end, a formal evaluation report remained outstanding.

In the meantime, Finders is evaluating strategic options for Ojolali, with a number of parties expressing interest in the project.

Finance

The consolidated loss after income tax for the year was \$29.5 million (2014: \$20.5 million).

The loss was incurred largely by the Indonesian subsidiaries operating the Wetar Copper Project. The 3,000 t.p.a. SX-EW plant was in operation during the year at the Wetar Copper Project and significant costs were incurred as the operation manned-up and upgraded its operational capabilities and services in preparation for the operation of the expanded production facilities. The number of personnel working on Wetar Island has increased significantly, resulting in higher staff costs as well as associated indirect costs. To provide for safe travel to and from Wetar Island, the Company operated two chartered passenger vessels at a substantial running cost.

The Group received \$6.7 million (2014: \$9.1 million) from copper sales during the year.

Funding for operation of the 3,000 t.p.a. SX-EW plant during the year and construction activities to expand the production capacity to 28,000 tonnes per annum of copper cathode was provided by copper sales, funds received from Daewoo in the previous year and by loan drawdown from the US\$162 million project finance facility referred to above.

At 31 December 2015, the Group held A\$33.7 million in cash and had US\$91 million in debt under the project finance facility.

WETAR COPPER PROJECT - RESERVES AND RESOURCES STATEMENT AS AT 17 JULY 2013

Ore Reserve Estimate			
	Category	Tonnage (Mt)	Cu %
Kali Kuning	Proved	5.4	2.4
Cut-off Grade	Probable	0.9	2.1
0.4% Cu	Total Ore	6.3	2.4
	Waste	5.9	
	Ratio	0.9	
Lerokis	Proved	2.1	2.3
Cut-off Grade	Probable	0.4	2.0
0.5% Cu	Total Ore	2.5	2.3
	Waste	1.9	
	Ratio	0.8	
Total	Proved	7.5	2.4
COG as above	Probable	1.4	2.1
	Total Ore	8.9	2.4
	Waste	7.8	
	Ratio	0.9	

Important Note: The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually the columns and rows in the above table may not show exact sums or weighted averages of the reported tonnes and grades. "Ratio" refers to the ratio of the waste to the ore tonnage.

Mineral Resource Estimate									
	Measured		Indicated		Inferred		Total		
	Mt	Cu%	Mt	Cu%	Mt	Cu%	Mt	Cu%	Cu (kt)
Kali Kuning (Cut-off Grade 0.4% Cu)									
Leached	0.2	0.5	0.03	0.8	0.02	1.1	0.2	0.6	1
Transition	1.1	1.3	0.3	1.5	0.1	1.7	1.6	1.4	22
Primary	4.1	2.8	0.6	2.6	0.1	2.1	4.7	2.8	132
Total	5.4	2.4	1.0	2.1	0.2	1.7	6.6	2.4	155
Lerokis (Cut-off Grade 0.5% Cu)									
Primary	2.1	2.4	0.4	2.2	0.1	1.5	2.6	2.3	61
Total Kali Kuning and Lerokis									
COG as above	7.5	2.4	1.4	2.2	0.3	1.6	9.2	2.4	216

Note: Rounding errors may occur

Competent persons statement

The information in this report that relates to mineral reserve estimation is based on work completed by Mr John Wyche who is a full time employee of Australian Mine Design and Development Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. The information that relates to mineral resource, exploration potential and geology estimation is based on work compiled by Dr Phillip Hellman who is a consultant to H&S Consultants Pty Ltd and a Fellow of the Australian Institute of Geoscientists. The original report titled "Increase Ore Reserve for Wetar Copper Project" was dated 17 July 2013 and released to Australian Securities Exchange on that date.

The Company confirms that –

- it is not aware of any new information or data that materially affects the information included in the Australian Securities Exchange announcement;
- all material assumptions and technical parameters underpinning the estimates in the Australian Securities Exchange announcement continue to apply and have not materially changed;

the form and context in which the Competent Persons' findings are presented have not been materially modified.

TENEMENTS AND PERMITS

IUP Decision No.	Type	Mineral	Expiry Date	Area (ha)	Term	Holder
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Wetar Copper Project

543 - 124 Tahun 2011	IUP Exploitation	Copper	09 Jun 2031	2,733	20 years	BKP
540 – 317.a Tahun 2012	IUP Exploitation	Sand, gravel and stone	01 Nov 2017	80.55	5 years	BKP
540 – 317.b Tahun 2012	IUP Exploitation	Limestone	01 Nov 2017	1,425	5 years	BKP
540 – 28.b Tahun 2010	IUP Exploration	Barite	01 Mar 2016	515	6 years	BBW

Wetar South Coast Exploration

540 – 28.a Tahun 2010	IUP Exploration	Gold	01 Mar 2016	2,636	6 years	BKP
540 – 28.c Tahun 2010	IUP Exploration	Gold	01 Mar 2016	1,418	6 years	BKP
540 – 28.d Tahun 2010	IUP Exploration	Gold	01 Mar 2016	1,021	6 years	BBW
540 – 28.e Tahun 2010	IUP Exploration	Gold	01 Mar 2016	1,106	6 years	BBW
540 – 28.f Tahun 2010	IUP Exploration	Gold	01 Mar 2016	1,148	6 years	BBW

Ojolali Gold-Silver Project

B.24/DPE-WK/HK/2014	IUP Exploration	Gold	11 Mar 2015*	5,912	1 year	BWKM
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*Application for an IUP Exploitation has been lodged

Finders' interest in the Wetar Copper Project (72%) is held through Indonesian subsidiaries, PT Batutua Tembaga Raya ("BTR") and PT Batutua Kharisma Permai ("BKP"). BBW has merged with BKP and tenements previously held by BBW are in the process of being transferred to BKP.

Finders' interest in the Ojolali Project (72%) is held through Indonesian subsidiary, PT Batutua Lampung Elok ("BLE"). BLE is a party to a cooperation agreement with BKP and PT Batutua Way Kanan Minerals ("BWKM") that hold exclusive mining authorisations (Izin Usaha Pertambangan ("IUP")).

Processing and Refining Licence

BTR holds a business license for processing and refining (IUP Processing and Refining No. 543-125 Tahun 2011) for a 20 year period expiring on 9 Jun 2031. This IUP allows BTR to process ore from the Wetar Copper Project to produce copper cathode.

Forestry Permit

BKP holds a production stage forestry use permit ("*Pinjam Pakai*") which allows the company to carry out development, mining and production activities at the Wetar Copper Project through to expiry in December 2031.

CORPORATE GOVERNANCE

The Board of Directors supports good corporate governance principles and practices. Notwithstanding its small size, the Company aims to comply with the Corporate Governance Principles and Recommendations (“ASX Principles”) set by the ASX Corporate Governance Council (“Council”) to the extent appropriate and practical. Where compliance is inappropriate or impractical, these departures from the ASX Principles are explained in this statement.

The Directors have adopted the following charters and policies and copies are available on the Company’s website together with the Company’s Constitution.

Audit Committee Charter

Board Charter

Code of Conduct

Continuous Disclosure Policy

Diversity Policy

Remuneration and Nomination Committee Charter

Risk Management Policy

Securities Trading Policy

Shareholder Communication Policy

References to “Company” in this statement shall, where applicable, refer to the Group.

ASX Principle 1: Lay solid foundations for management and oversight. Council states that a company should *"Establish and disclose the respective roles and responsibilities of board and management"*.

The Board Charter defines the operation of the Board of Directors, its role, composition and responsibilities and the separation of the role of the Board from that of management.

The Board is responsible for -

- a) setting the Company's values and standards of conduct;
- b) providing leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- c) setting the Company's direction, strategies and financial objectives;
- d) approving business plans and annual budgets;
- e) approving half-year and annual financial reports;
- f) ensuring that the performance of management, and the Board itself, is regularly assessed and monitored;
- g) monitoring compliance with regulatory and ethical standards; and
- h) appointing, terminating and reviewing the performance of the Managing Director and Executive Directors.

The Board has delegated authority for the operations and administration of the Company to the management team, led by the Managing Director.

The roles of the Chairman and the Managing Director are separate.

The Chairman is responsible for -

- a) leading the Board in its duties to the Company;
- b) ensuring there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;
- c) facilitating effective discussions at Board meetings;
- d) ensuring effective communication with shareholders; and
- e) developing an effective working relationship with the Managing Director and Executive Directors.

The Managing Director is responsible for -

- a) policy direction of the operations of the Company;
- b) the efficient and effective operation of the Company;
- c) ensuring directors are provided with accurate and clear information in a timely manner to promote effective decision-making by the Board;
- d) ensuring all material matters affecting the Company are brought to the Board's attention; and
- e) maintaining regular communication with the Chairman on operational and strategic matters.

The Company has a formal process for evaluating the performance of Executive Directors and senior executives. Executive Directors are appraised by their respective senior executive staff as well as by their fellow directors as part of Board performance evaluation. Senior executives are individually appraised by the Managing Director and the relevant Executive Director.

A formal performance evaluation of senior executives was not undertaken during the year. Whilst a formal evaluation process was implemented in the 2010 year, the formal process does not appear to be warranted given the small executive team. It is anticipated that the formal evaluation process will be adopted following the Group's transformation into a copper producer.

ASX Principle 2: Structure the board to add value. Council states that a company should "*Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties*".

The Board currently consists of 4 directors. A description of the skills and experience of each Board member and their period in office are contained in the Directors' Report.

Independent Directors		
Non-Executive Chairman	Gary Comb	
Non - Independent Directors		
Non-Executive Directors	Gavin Caudle Gordon Galt	
Executive Directors	Barry Cahill	Managing Director

The chairman of the Board is an independent director, however the majority of the Board comprise of non-independent directors (see definition below) as follows -

- i) Mr Cahill is not independent as he is employed in an executive capacity;
- ii) Messrs Caudle and Galt are associated with Provident Minerals Pte Ltd and Taurus SM Holdings Pty Limited, both of whom are substantial shareholders in the Company.

Notwithstanding, the Company believes that the present composition of the Board is appropriate for the following reasons –

- a) it provides a balance of skills and expertise that are required and that are appropriate at this stage of the Company's development;
- b) each of the non-independent directors, other than Mr Galt, has a significant personal stake in the Company and the Board believes that, on balance, this serves to align their interests with those of shareholders and other stakeholders.

Independence

An independent director is a non-executive director (ie is not a member of management) and -

- a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- b) within the last three years has not been employed in an executive capacity by the Company or its subsidiaries, or been a director after ceasing to hold any such employment;
- c) is not a principal or employee of a professional adviser to the Company or its subsidiaries whose billings exceed five per cent of the adviser's total revenue;
- d) is not a significant supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Company exceed five per cent of the supplier's total revenue. A significant customer is one whose amounts payable to the Company exceed five per cent of the customer's total operating costs;
- e) has no material contractual relationship with the Company or its subsidiaries other than as a director of the Company;
- f) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company;
- g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Term

The Board has not adopted a tenure policy. In accordance with the Constitution of the Company, no director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

Independent Advice

The Board, or individual directors, may obtain independent professional advice if it (or the director) considers necessary, with the costs to be borne by the Company.

Remuneration and Nomination Committee

The members of the Committee are –

Gary Comb (Chairman)
Gavin Caudle
Gordon Galt

Under the Remuneration and Nomination Committee Charter, candidates for Board positions are nominated by the Committee for consideration by the Board. In selecting new members for the Board, directors have regard to the appropriate skills and characteristics needed by the Board as a whole. The directors endeavour to appoint individuals who would provide the mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Company, at least one of whom will have appropriate technical and commercial skills relevant to the mining industry.

Board Performance Evaluation

The Board was restructured during the second half of 2013, bringing on directors with a good mix of Indonesian, construction and financing expertise aimed at the development of the Wetar Copper Project. A formal performance evaluation of the Board and individual directors was not conducted during the year in view of the restructure. The formal evaluation process will be adopted following the Group's transformation into a copper producer.

ASX Principle 3: Promote ethical and responsible decision-making. Council states that a company should "*Actively promote ethical and responsible decision-making*".

Code Of Conduct

The Company conducts its business within the guidelines set out in the Code of Conduct. Under the Code all directors and employees are required to -

- a) comply with the law;
- b) act honestly and with integrity;
- c) not place themselves in situations which result in a conflict of interest;
- d) use the Company's assets responsibly and in the best interests of the Company;
- e) be responsible and accountable for their actions.

Adherence to the Code is a term of employment with the Company.

Employees are encouraged to report any violations of this Code of Conduct to the Managing Director or to the Chairman where a concern or conflict issue involves a director.

Diversity Policy

The Company's diversity mission is to become an organization with the following inherent and lasting characteristics:

- a) Universal recognition by everyone with whom it deals as a company committed to diversity and synonymous with improving the opportunities of disadvantaged groups in employment;
- b) A workforce that fully reflects the requisite skills available in the relevant employment market;
- c) A preferred employer and vendor for all cultural groups in the population by virtue of its reputation in this field;
- d) An environment where every employee understands and voluntarily values diversity in all areas of practice;
- e) An environment where all employees have the opportunity to reach their highest potential.

The recognition and encouragement of the uniqueness of individual contribution within a team environment is the embodiment of the Company and its employment policies. Our philosophy is found in all aspects of employment such as recruitment, compensation, training, promotion, transfer, termination and benefits.

All employees of the Company will be treated as individuals according only to their abilities to meet job requirements, and without regard to factors such as race, colour, ancestry, place of origin, political belief, religion, marital status, family status, physical or mental disability, sex, sexual orientation, age or because of a criminal or summary conviction charge that is unrelated to the employment or the intended employment or any other factor that is legislatively protected. Any kind of discrimination or harassment based upon these factors is neither permitted nor condoned.

At 31 December 2015, the Group had 830 employees, almost all of whom are employed at the Wetar Copper Project in Indonesia. Women represented 9% of the workforce, 0% in senior executive positions and 0% on the Board.

The Board has not set measurable objectives for achieving gender diversity. The Group is undergoing a major transformation to a copper producer with the development of the Wetar Copper Project. Measurable objectives will be developed over time and will be reported in future.

ASX Principle 4: Safeguard integrity in financial reporting. Council states that a company should "*Have a structure to independently verify and safeguard the integrity of their financial reporting*".

The Company has accounting policies, systems and procedures for ensuring that its financial reports present a true and fair view of its financial position in all material respects. The policies, systems and procedures cover areas of significance to the financial statements such as revenue recognition, accounting for non-current assets, payroll, control of cash and other assets, recording of liabilities and authority levels.

The Managing Director and Chief Financial Officer provide the Board with a written statement pursuant to Section 295A of the *Corporations Act 2001* that the financial records of the Company for each financial year have/have not been properly maintained in accordance with Section 286 of the *Corporations Act 2001*, the financial statements and notes thereto comply with the accounting standards and give a true and fair view and, that to the best of their knowledge, the integrity of the financial statements is founded on a sound

system of risk management and internal compliance and control and the Company's risk management and internal compliances and control system is operating efficiently and effectively in all material respects.

Audit Committee

The Committee's role and responsibilities, powers and membership requirements are set out in an Audit Committee Charter.

The Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and external audit functions. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary at the Company's cost.

The current members of the Committee are -

Gavin Caudle (Chairman)

Gordon Galt

Gary Comb

Details of the qualifications of each Committee member, the number of Committee meetings held and the attendance of each Committee member are set out in the Directors' Report.

Appointment and Rotation of External Auditor

If a change in external auditor is proposed, responsibility for recommending the external auditor (to be proposed for shareholder approval) and for evaluating the external auditor shall lie with the Audit Committee. The Committee aims to recommend an external auditor who demonstrates independence and integrity and who has the capacity to support the Group's business operations in Australia and Indonesia.

The audit partner responsible for the audit shall be rotated at least every five years. At least two years must elapse before the audit partner can again be involved in the audit of the Company.

ASX Principle 5: Make timely and balanced disclosure. Council states that a company should "*Promote timely and balanced disclosure of all material matters concerning the company*".

The Continuous Disclosure Policy sets out how directors and employees shall deal with potentially price-sensitive information to ensure that the Company complies with its continuous disclosure obligations which require the Company to immediately notify the Australian Securities Exchange (ASX) of any such information.

The Managing Director and Executive Directors constantly monitor all Company activities with a view to determining the possible need for disclosure of price-sensitive information.

Directors and the management team notify the Managing Director or the Company Secretary immediately if they become aware of any information that should be considered for release to the market.

Disclosures concerning financial information are reviewed and approved by the Chairman of the Audit Committee prior to their release to ASX.

Price-sensitive information is released to ASX. Price-sensitive information is not disclosed to analysts or others outside the Company until after the ASX confirms that the announcement has been released. The information is posted on the Company's website immediately after the ASX confirms that the announcement has been released, with the aim of making the information accessible to the widest audience.

The Company has a policy of not responding to market rumours and speculation unless it is required to do so by ASX.

Where the Company is not able to make an immediate announcement of market sensitive information, it may choose to apply for a trading halt of its securities on ASX. A trading halt can only be sought by the Managing Director in consultation with the Chairman.

ASX Principle 6: Respect the rights of shareholders. Council states that a company should "*Respect the rights of shareholders and facilitate the effective exercise of those rights*".

The aim of the Shareholder Communication Policy is to provide shareholders with information about their company to enable them to exercise their rights as shareholders in an informed manner.

Shareholders and other interested parties are invited to register to receive email alerts of announcements posted on the Company's website.

Shareholders are encouraged to attend all meetings, or if unable to attend, to vote on the motions proposed by appointing a proxy.

The Company's auditor attends each Annual General Meeting and is available to answer questions about the conduct of the audit and the preparation and contents of the auditor's report.

ASX Principle 7: Recognise and manage risk. Council states that a company should "*Establish a sound system of risk oversight and management and internal control*".

The Company faces material business risks arising from its business as an exploration, development and mining company and includes operational and financial risks and others such as reputation and regulatory risks.

Risk management strategies adopted include –

- a) health, safety and environment policies;
- b) internal control policies and procedures;
- c) financial authority limits;
- d) business plans and budgets;
- e) monthly reporting against budgets;
- f) insurance programme; and

- g) hedging strategies, where appropriate.

The above strategies are implemented in conjunction with other policies adopted by the Company, including the code of conduct, continuous disclosure policy and securities dealing policy to provide a comprehensive risk management policy.

The Board monitors and reviews areas of significant business risks regularly through –

- a) monthly financial reports, including reports on the operations;
- b) attendance at Board meetings held at least six times a year;
- c) tours of operations;
- d) presentations by the Managing Director, Executive Directors and senior management at Board meetings;
- e) informal briefings by the Managing Director and Executive Directors; and
- f) reports by the Chairman of the Audit Committee and circulation of minutes of Audit Committee meetings to the Board.

The Managing Director and Chief Financial Officer have provided the Board with a written statement pursuant to section 295A of the *Corporations Act 2001* that the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*, the financial statements and notes thereto comply with the accounting standards and give a true and fair view and, that to the best of their knowledge, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and the Company's risk management and internal compliances and control system is operating efficiently and effectively in all material respects.

ASX Principle 8: Remunerate fairly and responsibly. Council states that a company should "*Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear*".

Remuneration and Nomination Committee

The members of the Committee are -

Gary Comb (Chairman)
Gavin Caudle
Gordon Galt

The Remuneration and Nomination Committee Charter requires and ASX Principles recommend that the Committee consists of a majority of independent directors. The Chairman of the Committee is an independent director. However the other two members of the Committee (Messrs Caudle and Galt) are not independent. Notwithstanding, the Board believes the composition of the three-member Committee is appropriate given the other directors are executive directors of the Group.

Details of the qualifications of each Committee member, the number of Committee meetings held and the attendance of each Committee member are set out in the Directors' Report.

The Committee's role and responsibilities, powers and membership requirements are set out in its Charter.

The Committee advises the Board on remuneration policies and practices generally to assist the Board in the discharge of its responsibilities for human resources and remuneration matters. The objective of the Committee is to ensure that –

- a) the Company's remuneration policy is designed to align senior executives' interests with those of shareholders;
- b) remuneration level is commensurate with a person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating employees of the highest calibre.

Full details of the Company's remuneration policy and the structure and level of remuneration paid during the year ended 31 December 2015 are set out in the Remuneration Report section of the Directors' Report. Other than statutory superannuation, there are no schemes for retirement benefits for both executives and non-executive directors.

The Company does not permit the hedging of unvested incentive securities issued to executive directors, employees and consultants. The Company's policy in this matter is contained in its Security Dealing Policy, a copy of which can be found on the Company's website.

31 March 2016

DIRECTORS' REPORT

Your Directors present their report on Finders Resources Limited ("Company") and its controlled entities ("consolidated entity" or "Group") for the year ended 31 December 2015.

Directors

The Directors in office during the financial year and up to the date of this report are:

Gary E Comb (Appointed 3 June 2013)	— Non-Executive Chairman
Qualifications	— BE(Mech), BSc, DipEd
Experience	— Mr Comb has over 35 years experience in the mining industry, most recently as Managing Director of Jabiru Metals Ltd where he oversaw the acquisition, feasibility study and construction of the Jaguar copper/zinc mine in Western Australia as well as the successful sale of the company to Independence Group NL.
Interest in Shares and Options	— 1,066,667 Ordinary Shares 7,500,000 Ordinary Shares under incentive plan
Special Responsibilities	— Chairman of Remuneration and Nomination Committee Member of Audit Committee
Other Listed Company Directorships in last 3 years	— Aurelia Metals Limited Ironbark Zinc Limited Zenith Minerals Limited (resigned 7 June 2013)
Barry J Cahill (Appointed 22 August 2013)	— Managing Director
Qualifications	— BE (Mining), MAusIMM, MAICD
Experience	— Mr Cahill is a mining engineer with over 25 years experience in exploration, operational mining and management throughout Australia. He has extensive experience in the management of all facets of operating mines including regional exploration, resource drilling, underground and open pit mining, ore processing facilities, both as a mining contractor and an operator. He has also had particular experience in the management of project development and construction from initial exploration drilling phase right through to project funding and then onto project commissioning and development. Mr Cahill has been an executive director of a number of public companies including operations director of Perilya Limited, managing director of Australian Mines Limited and managing director of Norseman Gold Plc, a company listed on the London AIM market and the ASX. He is a member of the Australasian Institute of Mining & Metallurgy and a member of the Australian Institute of Company Directors.
Interest in Shares and Options	— 600,000 Ordinary Shares 3,000,000 Ordinary Shares under incentive plan
Special Responsibilities	— Nil
Other Listed Company Directorships in last 3 years	— Nil

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Gavin A Caudle

(Appointed 15 August 2013)

Qualifications

Experience

— **Non-Executive Director**

— BCom UWA)

— Mr Caudle has over 25 years' experience in the finance and investment sectors in Australia, Singapore and Indonesia. He was previously a partner in the Arthur Andersen Jakarta office and Country Head of the Investment Bank, Salomon Smith Barney, for Indonesia. Since 2003, together with his partners, Mr Caudle has developed numerous successful businesses including Tower Bersama Group (a telecommunications infrastructure business), Provident Agro (a plantation business) and Merdeka Copper & Gold with assets valued at more than \$3 billion.

Interest in Shares and Options

— 80,058,765 Ordinary Shares

Special Responsibilities

— Chairman of Audit Committee
Member of Remuneration and Nomination Committee

Other Listed Company

— Sihayo Gold Limited

Directorships in last 3 years

Sumatra Copper & Gold Plc
PT. Merdeka Copper & Gold Tbk.

Gordon T Galt

(Appointed 22 August 2013)

Qualifications

Experience

— **Non-Executive Director**

— BE (Mining)

— Mr Galt is a mining engineer with over 40 years' experience. He is currently Chairman of Delta SBD Ltd, Nucoal Resources Ltd and US Masters Holdings Ltd. He is a Principal of Taurus Funds Management.

Interest in Shares and Options

— Nil

Special Responsibilities

— Member of Audit Committee
Member of Remuneration and Nomination Committee

Other Listed Company

— Discovery Metals Limited (resigned 20 May 2013)

Directorships in last 3 years

Aquila Resources Limited (resigned 11 July 2014)

Christopher H Brown

(Appointed 30 May 2014)

Qualifications

Experience

— **Alternate Director for Gordon Galt**

— BSc (Geology), BEcon, GAICD, MAusIMM, MGSA

— Mr Brown has 18 years experience as a professional geologist in industrial minerals and base and precious metals, and in exploration, development and production.

For the past 28 years he has been involved with the investment industry. He was part of the management buy-out of Morgan Stockbroking Limited in 1991, initially Research Director until 1996, and an Executive Director until the completion of the sale of 50% of Morgan Stockbroking (now Morgans Financial) to ABN Amro in 2004.

He is a Resource Industry Analyst with a focus on the analysis of junior to mid-sized resource companies, and a Technical Adviser to Sydney-based Taurus Funds Management, a private equity

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fund and an affiliate of MD Sass. Mr Brown remains a Consultant to Morgans Financial. He is a member of the Queensland Exploration Council and a member of the Joint Ore Reserve Committee.

Interest in Shares and Options	— Nil
Special Responsibilities	— Nil
Other Listed Company	— Nil
Directorships in last 3 years	

Douglas L P Tay — ***Alternate Director for Gavin Caudle***

(Appointed 30 May 2014)

Qualifications	— BA
Experience	— Mr Tay is currently a Director of Provident Capital Partners, an investment company with interests in gold and copper mining, telecom infrastructure, palm plantations, real estate and biomass trading. Prior to joining Provident, he spent 10 years in Citigroup's investment banking and proprietary trading divisions, focusing on Southeast Asia.

Interest in Shares and Options	— 413,333 Ordinary Shares
Special Responsibilities	— Nil
Other Listed Company	— Nil
Directorships in last 3 years	

The Director in office during the year but not as at the date of this report is as follows:

Christopher B Farmer — ***Executive Director - Indonesia***

*(Appointed 30 March 2004,
Resigned 2 March 2016)*

Qualifications	— BSc (Hons) (University of Southampton), MBA (Ashridge), PhD (Royal School of Mines, Imperial College)
Experience	— Dr Farmer has over 20 years of international experience in all aspects of exploration, with a strong emphasis on business development. He was Managing Director of the Company until 22 August 2013.

Interest in Shares and Options	— 5,965,695 Ordinary Shares
Special Responsibilities	— Nil
Other Listed Company	— Nil
Directorships in last 3 years	

Company Secretary

James H Wentworth is the company secretary. Mr Wentworth is a qualified solicitor with over 20 years of financial and commercial experience, focussing on the mining and mining services industries. He was formerly Finance Director of the Company and is currently a non-executive director of Mastermyne Group Limited. Prior to joining the Company, he spent nine years with Sydney-based private equity firm CHAMP Ventures where he was a director and member of the investment committee.

Principal Activities

The principal activities of the consolidated entity during the financial year were -

- a) Operation of a 3,000 t.p.a. SX-EW plant at the Wetar Copper Project;
- b) Construction and development activities at the Wetar Copper Project to expand its copper production capacity from 3,000 t.p.a. to 28,000 t.p.a.;
- c) Exploration for copper and gold in Indonesia.

There was no significant change in the nature of those activities during the financial year.

The Company's business strategy and priority remains to commercialise the Wetar Copper Project. With the expansion project nearing completion, the Company's future prospects will be underpinned by the cashflow expected to be generated.

Operating and Financial Review

The operating and financial review of operations during the year are set out on pages 2 to 7.

Significant Changes in State of Affairs

The following significant change in the state of affairs of the consolidated entity occurred during the financial year:

- a) The consolidated entity completed all conditions precedent and drew down on a US\$162 million project finance facility for the expansion of the Wetar Copper Project. At balance date, the consolidated entity had drawn down a total of US\$91 million.
- b) 4,189,667 employee incentive shares lapsed during the year due to non-satisfaction of the performance hurdles. In December 2015, the Company undertook an employee share scheme buy-back of the shares. The shares were subsequently cancelled.

Likely Developments and Expected Results

As discussed elsewhere in this annual report, construction of the new 25,000 t.p.a. SX-EW plant and mine infrastructure is nearing completion. Copper cathode production from the expansion project is expected early in the second quarter of 2016. Once the expansion is completed, the Wetar Copper Project will have capacity to produce a total of 28,000 t.p.a. of copper cathode from two SX-EW plants, thereby transforming the Company into a significant and low-cost copper cathode producer.

Significant Events after Balance Date

The Directors are not aware of any matter or circumstance, which has arisen since the end of the financial year that has significantly affected or may significantly affect:

- a) the operations of the consolidated entity;
- b) the result of those operations; or
- c) the state of affairs of the consolidated entity;

in subsequent financial years.

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Dividends Paid or Recommended

There was no dividend paid, recommended or declared but not paid, during the financial year.

Environmental Issues

The consolidated entity adopts “best practice” environmental management techniques from the wider mining community, particularly Australian standards of operation, in managing environmental issues at all its project areas.

In each of the project areas, the consolidated entity has engaged reputable independent consultants to undertake extensive environmental studies, including base line studies, design of monitoring programmes and rehabilitation. The consolidated entity is not aware of any endangered species of flora or fauna in these project areas.

Projects are subject to relevant environmental regulation in Indonesia and will themselves have varying levels and types of potential impact on the natural environment. At Ojolali, exploration work typically has a minimal impact on the environment. At Wetar, the location has historical degradation from former gold mining operations and the baseline reflects water quality in an area of acid rock drainage and former gold mining activities, monitoring activities are conducted under the auspices of an approved environmental permit and all environmental studies and on-going monitoring results are reported on a quarterly basis to the relevant Indonesian authorities.

The consolidated entity is required to comply with Indonesian laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials.

Meetings of Directors and Board Committees

Attendances by each director during the year were as follows:

	<u>Directors Meetings</u>		<u>Audit Committee Meeting</u>	
	Eligible to attend	Attended	Eligible to attend	Attended
Gary E Comb	11	10	1	1
Barry J Cahill	11	11	-	-
Christopher B Farmer	11	10	-	-
Gavin A Caudle	11	9*	1	1
Gordon T Galt	11	9*	1	1

* Douglas Tay attended one meeting as Alternate Director for Gavin Caudle
Christopher Brown attended one meeting as Alternate Director for Gordon Galt

Indemnifying Directors and Other Officers

The Company's constitution provides that "to the extent permitted by the *Corporations Act 2001*, the Company may indemnify:

- a) every person who is or has been an officer of the Company; and
- b) where the Board of Directors considers it appropriate to do so, any person who is or has been an officer of a related body corporate of the Company;

against any liability incurred by that person in his or her capacity as an officer of the Company or of the related body corporate (as the case may be)."

During the financial year, the Company paid a premium and other charges for a Directors and Officers Liability Insurance Policy for the benefit of the directors, secretary, officers and employees of the Company. The policy prohibits disclosure of the terms of the policy, including the amount insured, the insuring clauses and exclusions and the amount of premium paid.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Options

The Company has an Employee Share Ownership Plan under which employees are offered the opportunity to acquire shares in the Company at pre-determined prices, funded by a limited recourse interest-free loan from the Company. The incentive shares offered to the employees are generally subject to vesting conditions (ie. performance and time hurdles) and are released to the employees only upon the performance hurdles being met and the loans repaid. The incentive shares have similar characteristics to options.

During the financial year, the Company issued 1.63 million incentive shares to employees of the Group, including 900,000 shares to Mr James Wentworth, Chief Financial Officer and Company Secretary. The shares, which have similar characteristics to options, have an exercise price ranging from \$0.19 to \$0.35 per share and expire between 1 January 2017 and 2 February 2020. The incentive shares outstanding at the date of this report are detailed in Note 16.

Other than the above, no options over unissued ordinary shares were granted during or since the end of the financial year.

The options over unissued ordinary shares outstanding at the date of this report are detailed in Note 17 to the financial statements. The option holders do not have any right by virtue of the options to participate in any share issue of any other body corporate.

Since the end of the previous financial year, no shares have been issued by virtue of the exercise of the options.

Non-audit Services

The Company may engage the services of its auditor on other assignments in addition to the statutory audit where the firm's expertise and experience with the Company are beneficial.

During the financial year, the Company did not engage the auditor, Ernst & Young, for tax consulting services (2014: Nil).

Full details of the auditor's remuneration are set out in Note 25 to the financial statements.

Auditor's Independence Declaration

The auditor's independence declaration pursuant to section 307C of the *Corporations Act 2001* is set out on page 34.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998 issued by the Australian Securities and Investments Commission and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT - AUDITED

This report details the nature and amount of remuneration for key management personnel.

Remuneration policy

The remuneration policy is designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance indicators affecting the consolidated entity's operational and financial results. The policy ensures that the remuneration level is commensurate with the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating employees of the highest calibre, as well as creating goal congruence between directors, executives, shareholders and all other stakeholders.

The remuneration policy, which sets the terms and conditions for senior executives, was developed by the Remuneration Committee and approved by the Board.

All key management personnel receive a base salary, superannuation and may benefit from the Company's performance bonus plan. The Board (including non-executive directors) are remunerated by means of a fixed annual salary and superannuation, having regard to comparable companies from time to time.

The employment conditions of the managing director and specified executives are formalised in contracts of employment.

Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee 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. No external advice was sought during the financial year.

The Company's Constitution requires that the remuneration payable from time to time to non-executive directors shall be an amount not exceeding in aggregate a maximum sum that is from time to time approved by resolution of the Company, currently \$350,000 per annum. In accordance with the Constitution, the Board has set the directors fees as follows –

Non-Executive Chairman	\$50,000 per annum
Non-Executive Directors	\$36,000 per annum

Where required, the Company also makes statutory superannuation contributions, currently 9.5% of directors' fees, for the benefit of the directors. There are no schemes for retirement benefits other than statutory superannuation for both executives and non-executive directors.

Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with those of shareholders, the directors are encouraged to hold shares in the Company.

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Performance-based remuneration

Short-term incentives

A performance bonus plan was developed and agreed by the Remuneration Committee with the aim of providing alignment between executives and shareholders' interests in respect of the financial performance of the Company. The payment of bonuses and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving bonuses and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

No performance bonus has been awarded under the plan since its adoption.

The Company has also adopted a Performance Rights Plan (approved by shareholders on 5 November 2013). The directors consider that it is desirable to maintain a plan under which a limited number of employees and directors of the Company and its subsidiaries may be offered performance rights over shares in the Company instead of annual bonuses in order to increase the range of potential incentives available to them and to strengthen links between the Company and the participants.

Selected personnel will be offered participation in the Performance Rights Plan in lieu of part of or all of their annual short term incentive. Performance rights which will entitle the holder to ordinary shares in the Company will be offered to selected executives. The number of performance rights will be determined by the annual bonus entitlement and the market price of ordinary shares at the time of issue.

Long-term incentives

The Company has an Employee Share Ownership Plan ("Share Plan") (adopted pursuant to shareholders' approval on 5 November 2013) designed to provide long-term incentives to employees of the consolidated entity.

Under the Share Plan, employees are offered the opportunity to acquire shares in the Company at a pre-determined price, funded by a limited recourse interest-free loan from the Company. The shares offered to the employees are subject to vesting conditions (ie. performance and time hurdles) and are released to the employees only upon the performance hurdles being met and the loans repaid. Participation in the Share Plan is at the discretion of the Board. The vesting conditions are set by the Board when the shares are granted.

Company performance and directors and executive remuneration

The table below summarises the Company's performance over the last 5 years.

	2015	2014	2013	2012	2011
Net loss after tax	\$29.5	\$20.5m	\$20.4m	\$19.8m	\$18.4m
Loss per share	\$0.044	\$0.033	\$0.050	\$0.069	\$0.066
Diluted loss per share	\$0.044	\$0.033	\$0.050	\$0.069	\$0.066
Closing share price	\$0.135	\$0.15	\$0.21	\$0.20	\$0.35
Market capitalisation	\$89.3m	\$99.2m	\$104.3m	\$58.1m	\$95.2m

At this stage of the Company's development, performance-based bonuses and incentive securities are structured for achieving milestones towards the full scale development of the Wetar Copper Project, including securing finance and meeting development and production targets.

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During the year, 1.63 million incentive shares were issued pursuant to the Share Plan. The incentive shares are structured with an emphasis on delivery of the Wetar Copper Project financing and development on time and on budget as well as achieving the nameplate production capacity. The shares were issued at prices ranging from \$0.19 to \$0.35 per share.

Details of remuneration

The key management personnel of the consolidated entity during the year were –

Directors

Gary G Comb	Non-Executive Chairman
Barry J Cahill	Managing Director
Christopher B Farmer (resigned 2 March 2016)	Executive Director - Indonesia
Gordon T Galt	Non-Executive Director
Gavin A Caudle	Non-Executive Director
Christopher Brown	Alternate for Gordon Galt
Douglas Tay	Alternate for Gavin Caudle

Other key management personnel

James H Wentworth	Chief Financial Officer/Company Secretary
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Consolidated

	Short Term Benefits		Post Employment	Share-based payments	
	Salary & fees	Other employment benefits *	Super-annuation	Incentive shares	Total
2015	\$	\$	\$	\$	\$
Directors					
Gary E Comb	50,000	-	4,750	87,500	142,250
Barry J Cahill	468,096	-	19,046	35,000	522,142
Christopher B Farmer (resigned 2 March 2016)	351,204	37,365	19,286	-	407,855
Gavin A Caudle	-	-	-	-	-
Gordon T Galt	19,710	-	-	-	19,710
Alternate Directors					
Christopher Brown	19,710	-	-	-	19,710
Douglas Tay	-	-	-	-	-
Other key management personnel					
James Wentworth	347,161	-	19,338	6,430	372,929
	1,255,881	37,365	62,420	128,930	1,484,596

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	Short Term Benefits		Post Employment	Share-based payments	
	Salary & fees	Other employment benefits *	Super- annuation	Incentive shares	Total
2014	\$	\$	\$	\$	\$
Directors					
Gary E Comb	127,186	-	10,376	87,500	225,062
Barry J Cahill	400,000	-	18,279	35,000	453,279
Christopher B Farmer	350,000	31,382	31,500	-	412,882
Gavin A Caudle	-	-	-	-	-
Gordon T Galt	29,520	-	-	-	29,520
Alternate Directors					
Christopher Brown	9,855	-	-	-	9,855
Douglas Tay	-	-	-	-	-
Other key management personnel					
James Wentworth	366,429	-	8,571	-	375,000
	1,282,990	31,382	68,726	122,500	1,505,598

* Other employment benefits represent costs of housing, school fees and motor vehicle paid for expatriate employees.

Details of Shareholdings

Number of shares (excluding incentive shares disclosed below) in respect of which Directors and other key management personnel have a relevant interest directly or through related entities.

2015	Balance 1 Jan 2015	Acquisitions	Disposals -	Balance 31 Dec 2015
Directors				
Gary E Comb	766,667	300,000	-	1,066,667
Barry J Cahill	200,000	400,000	-	600,000
Christopher B Farmer	5,965,695	-	-	5,965,695
Gavin A Caudle	80,058,765	-	-	80,058,765
Gordon T Galt	-	-	-	-
Christopher H Brown (Alternate for Gordon Galt)	-	-	-	-
Douglas L P Tay (Alternate for Gavin Caudle)	413,333	-	-	413,333
Other key management personnel				
James H Wentworth	-	-	-	-
Total	87,404,460	700,000	-	88,104,460

FINDERS RESOURCES LIMITED

Incentive Shares

During the financial year, the Company issued 900,000 incentive shares to Mr James Wentworth. The shares, which have similar characteristics to options, have an exercise price ranging from \$0.19 to \$0.35 per share and expire between 1 January 2017 and 1 January 2019.

During the period the incentive shares held by the key management personnel were:

2015	Balance 1 Jan 2015	Granted	Exercise of Options	Disposals /Lapsed	Balance 31 Dec 2015
Directors					
Gary E Comb	7,500,000	-	-	-	7,500,000
Barry J Cahill	3,000,000	-	-	-	3,000,000
Christopher B Farmer	1,500,000	-	-	(1,500,000)	-
Gavin A Caudle	-	-	-	-	-
Gordon T Galt	-	-	-	-	-
Other key management personnel					
James H Wentworth	1,100,000	900,000	-	(1,100,000)	900,000
Total	13,100,000	900,000	-	(2,600,000)	11,400,000

At the date of this report, the following incentive shares are held by the key management personnel and other employees of the group –

Name	Number '000	Exercise price per share	Expiry date
Gary E Comb	7,500	\$0.2008 – \$0.3008	7 Nov 2021
Barry J Cahill	3,000	\$0.2008 – \$0.3008	7 Nov 2021
James Wentworth	900	\$0.19 - \$0.35	1 Jan 2017 – 1 Jan 2019
Other employees	1,000	\$0.19	2 Feb 2020

The incentive shares are subject to performance hurdles linked to the expansion of the Wetar Copper Project, such as securing project finance, completion of the project construction on time and attaining a consistent level of copper cathode production. Full details of the vesting conditions are set out below.

Name	Number '000	Vesting Conditions
Gary E Comb	2,500	Completion of the project finance enabling construction of a 25,000t.p.a solvent extraction-electrowinning (SX/EW) plant for the Wetar Copper Project and Gary Comb remaining a Director of the Company for at least two years from the date of issue of the shares
	2,500	Production of at least 5,000 tonnes of copper cathode from the Wetar Copper Project SX/EW plant (nameplate capacity 25,000 t.p.a) and Gary Comb remaining a Director of the Company for at least three years from the date of issue of the shares

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Name	Number '000	Vesting Conditions
Gary E Comb	2,500	Expansion of Wetar life of mine production from the current 150,000 tonnes copper cathode to the equivalent of at least 250,000 tonnes of copper cathode and Gary Comb remaining a Director of the Company for at least four years from the date of issue of the shares
Total	7,500	

Barry J Cahill	1,000	Completion of the project finance enabling construction of a 25,000t.p.a solvent extraction-electrowinning (SX/EW) plant for the Wetar Copper Project and Barry Cahill remaining a Director of the Company for at least two years from the date of issue of the shares
	1,000	Production of at least 5,000 tonnes of copper cathode from the Wetar Copper Project SX/EW plant (nameplate capacity 25,000 t.p.a) and Barry Cahill remaining a Director of the Company for at least three years from the date of issue of the shares
	1,000	Expansion of Wetar life of mine production from the current 150,000 tonnes copper cathode to the equivalent of at least 250,000 tonnes of copper cathode and Barry Cahill remaining a Director of the Company for at least four years from the date of issue of the shares
Total	3,000	

James Wentworth	900	There were no vesting conditions associated with this issue.
-----------------	-----	--

Other employees	400	Practical Completion of construction of the 25,000 t.p.a copper cathode SX-EW plant at the Wetar Copper Project has been achieved by that 31 December 2015; and the employees remain employed with the company at the vesting date, being two years from the date of issue of the shares.
	600	There has been at least three consecutive months where cathode production from all the project's plants on Wetar has exceeded 60 tpd by 30 June 2016; and the employees remain employed with the company at the vesting date, being three years from the date of issue of the shares.
Total	1,000	

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Fair value of shares granted

The fair value of the shares granted during the year were measured as the value of the options inherent within the shares issued and were estimated using the Black Scholes option pricing model with the assumptions below. The expected price volatility is based on the historic volatility (based on the life of the options inherent within the shares issued), adjusted for any expected changes to future volatility derived from publicly available information.

Number '000	Grant date	Expiry date	Exercise price	Share price at grant date	Risk free rate	Volatility	Value of options Granted
300	3 Feb 2015	1 Jan 2017	\$0.35	\$0.145	3.25%	45%	\$1,200
300	3 Feb 2015	1 Jan 2018	\$0.21	\$0.145	3.25%	45%	\$9,000
300	3 Feb 2015	1 Jan 2019	\$0.19	\$0.145	3.25%	45%	\$12,900
900							\$23,100

The shares are of the same class as other issued shares and are entitled to participate in dividends declared by the Company. The expected life of the shares will be the time up to the expiry dates.

Service agreements

The remuneration and terms of engagement of Executive Directors and other key management personnel are formalised in employment and consulting agreements. Key provisions of each of the agreements are set out below. All contracts (other than those in respect of non executive director services) may be terminated early by the Company giving between 3 and 12 months notice, subject to termination payments as detailed below.

Name	Term of agreement	Base fee/salary	Termination payment
Barry J Cahill Managing Director	23 Aug 2013 – 22 Aug 2016	\$400,000 per annum plus statutory superannuation	12 months notice or payment in lieu
Christopher B Farmer Executive Director – Indonesia (Resigned 2 March 2016)	Contract expired on 22 Mar 2013, rolled-over on monthly basis	\$350,000 per annum and expatriate benefits plus 9% superannuation	3 months salary and expatriate benefits but 6 months if termination follows a change in control in the 12 months prior to termination

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Name	Term of agreement	Base fee/salary	Termination payment
James H Wentworth Chief Financial Officer /Company Secretary	From 1 December 2010 until terminated	\$360,000 per annum (inclusive of superannuation)	3 months salary/fee but 6 months salary/fee if termination follows a change in control in the 12 months prior to termination

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



Gary Comb
Chairman

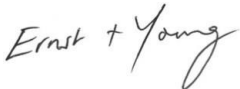
Perth
31 March 2016

Auditor's Independence Declaration to the Directors of Finders Resources Limited

As lead auditor for the audit of Finders Resources Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Finders Resources Limited and the entities it controlled during the financial year.



Ernst & Young



T S Hammond
Partner
31 March 2016

FINDERS RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Sales revenue		6,042	9,961
Interest income		15	24
Raw materials and consumables used		(28,491)	(18,403)
Change in inventories of finished goods and work in progress		2,139	888
Development costs written-off		-	(607)
Personnel costs		(17,684)	(3,503)
Provision for impairment		-	(4,214)
Finance costs	3	(3,202)	(1,392)
Depreciation and amortisation	11,12	(1,850)	(1,913)
Exchange (loss)/gain		(531)	673
Exploration expenditure written-off		(165)	(469)
Royalty expense		(105)	(62)
Other expenses		(610)	(1,488)
Loss before income tax		(44,442)	(20,505)
Income tax benefit	4	14,909	-
Loss for the year		(29,533)	(20,505)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Adjustments from translation of foreign controlled entities		6,451	5,200
Gain on cashflow hedges		59,635	-
Tax effect on cashflow hedges		(14,909)	-
Other comprehensive income, net of tax		51,177	5,200
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gain on defined benefit obligations		812	-
		812	-
Other comprehensive income for the period		51,989	5,200
Total comprehensive income/(loss) for the year		22,456	(15,305)
Loss for the year attributable to:			
Owners of Finders Resources Limited		(18,737)	(17,968)
Non controlling interests		(10,796)	(2,537)
		(29,533)	(20,505)
Total comprehensive income/(loss) for the year attributable to:			
Owners of Finders Resources Limited		23,162	(13,006)
Non controlling interests		(706)	(2,299)
		22,456	(15,305)
Basic loss per share	26	(4.4 cents)	(3.3 cents)
Diluted loss per share		(4.4 cents)	(3.3 cents)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

FINDERS RESOURCES LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
CURRENT ASSETS			
Cash and cash equivalents	5	33,728	47,946
Receivables	6	780	1,249
Financial assets	7	2,380	40
Inventories	8	6,747	2,762
Other assets	9	2,088	344
TOTAL CURRENT ASSETS		45,723	52,341
NON-CURRENT ASSETS			
Receivables	6	14,968	4,700
Financial assets	7	1,302	4,418
Hedge derivative assets	10	67,388	-
Plant and equipment	11	22,341	20,660
Development expenditure	12	144,259	39,510
TOTAL NON-CURRENT ASSETS		250,258	69,288
TOTAL ASSETS		295,981	121,629
CURRENT LIABILITIES			
Trade and other payables	13	23,481	10,301
Borrowings	15	19,431	-
Provisions	14	604	703
TOTAL CURRENT LIABILITIES		43,516	11,004
NON-CURRENT LIABILITIES			
Borrowings	15	147,128	38,538
Provisions	14	11,194	6,140
Hedge derivative liability	10	6,546	-
TOTAL NON-CURRENT LIABILITIES		164,868	44,678
TOTAL LIABILITIES		208,384	55,682
NET ASSETS		87,597	65,947
EQUITY			
Issued capital	16	156,884	156,884
Reserves	18	57,342	16,234
Accumulated losses		(135,699)	(116,962)
Capital and reserves attributable to owners of Finders Resources Limited		78,527	56,156
Non-controlling interest		9,070	9,791
TOTAL EQUITY		87,597	65,947

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

FINDERS RESOURCES LIMITED

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

	Share Capital	Accumulated Losses	Equity Reserve	Hedge Derivative Reserve	Foreign Currency Translation Reserve	Share-based Payments Reserve	Other Reserve	Non-Controlling Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 Jan 2015	156,884	(116,962)	6,045	-	8,709	1,480	-	9,791	65,947
Loss for the year	-	(18,737)	-	-	-	-	-	(10,796)	(29,533)
Other comprehensive income	-	-	-	32,250	9,058	-	585	10,075	51,968
Transactions with owners recorded directly in equity:									
Shares issued during the year	-	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	(785)	-	-	(785)
Transaction with non-controlling interest	-	-	-	-	-	-	-	-	-
Balance at 31 Dec 2015	156,884	(135,699)	6,045	32,250	17,767	695	585	9,070	87,597
Balance at 1 Jan 2014	137,358	(98,994)	6,045	-	3,747	1,351	-	(3,312)	46,195
Loss for the year	-	(17,968)	-	-	-	-	-	(2,537)	(20,505)
Other comprehensive loss	-	-	-	-	4,962	-	-	238	5,200
Transactions with owners recorded directly in equity:									
Shares issued during the year	20,292	-	-	-	-	-	-	-	20,292
Share issue expenses	(766)	-	-	-	-	-	-	-	(766)
Share-based payments	-	-	-	-	-	129	-	-	129
Transaction with non-controlling interest	-	-	-	-	-	-	-	15,402	15,402
Balance at 31 Dec 2014	156,884	(116,962)	6,045	-	8,709	1,480	-	9,791	65,947

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

FINDERS RESOURCES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,706	9,131
Payments to suppliers and employees (inclusive of goods and services tax)		(51,514)	(26,912)
Interest received		15	25
Net cash used in operating activities	27	<u>(44,793)</u>	<u>(17,756)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,396)	(1,368)
Payments for development expenditure		(81,162)	(9,358)
Payment for security deposits		(1,062)	(96)
Net cash used in investing activities		<u>(84,620)</u>	<u>(10,822)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	35,912
Payment for share issue expenses		-	(1,244)
Proceeds from borrowings	15	124,555	38,314
Payments for Interest and other finance costs		(9,360)	(4,336)
Net cash provided by financing activities		<u>115,195</u>	<u>68,646</u>
Net increase/(decrease) in cash held		(14,218)	40,068
Cash and cash equivalents at beginning of financial year		47,946	7,872
Exchange rate effect		-	6
Cash and cash equivalents at end of financial year	5	<u>33,728</u>	<u>47,946</u>

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

FINDERS RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 1: BASIS OF PREPARATION OF FINANCIAL REPORT

Finders Resources Limited is a public company, incorporated and domiciled in Australia whose shares are traded on the Australian Securities Exchange (ASX).

This financial report includes the consolidated financial statements and notes of Finders Resources Limited and controlled entities ("consolidated entity").

The financial report was authorised for issue in accordance with a resolution of the Directors on 31 March 2016. The directors have the power to amend and reissue the financial statements.

a. Statement of Compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

b. Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except for derivatives which are carried at fair value.

c. Critical Accounting Estimates and Judgements

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

Key areas of estimation are –

- Determination of ore reserve and resource estimates
- Capitalisation and impairment of exploration and evaluation costs
- Assumptions underlying the valuations of share options issued
- Estimation of rehabilitation and restoration costs and the timing of such expenditure
- Review of asset carrying values and impairment charges
- Assumptions underlying the defined benefit obligations

The Directors have reviewed the carrying values of assets at balance date and made an impairment provision of \$Nil (2014: \$4.2 million).

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (ii) Exposure, or rights, to variable returns from its involvement with the investee
- (iii) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) The contractual arrangement(s) with the other vote holders of the investee
- (ii) Rights arising from other contractual arrangements
- (iii) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

b. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

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

Borrowing costs are capitalised and amortised over the life of the facility.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated balance sheet.

d. Contributed equity

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

e. Earnings per Share

Basic earnings per share is determined by dividing net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings per share is determined by dividing net profit attributable to members, adjusted for –

- (i) costs of servicing equity (other than dividends);
 - (ii) the after tax effect of dividends and interest associated with dilutive potential ordinary shares;
 - (iii) 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.

f. Employee Benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are presented as payables.

Provision for Indonesian long term benefit obligations

Under Indonesia Labor Laws the Group is required to provide for a minimum amount of employee benefits including severance and termination pay to be paid by the company at the closure of the mine or the termination of employee's services whichever is earlier. The Group recognises an obligation for these employee benefits until required. The defined benefit obligations are unfunded.

The costs of providing the benefits are determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, excluding amounts included in interest on the defined benefit liability, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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Service costs are recognised in the profit or loss on the earlier of the date of changes in legislative requirements or the date that the Group recognises related restructuring costs.

Interest is calculated by applying the discount rate to the recognised liability. The Group recognises the following changes in the net defined benefit obligation under 'personnel costs' in the profit and loss:

- Service costs comprising current service costs, past service costs and non-routine settlements
- Interest costs

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are 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 end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

g. Exploration and Development Expenditure

Exploration and evaluation expenditure

Exploration and evaluation expenditure is carried forward in the accounts in respect to areas of interest for which the rights of tenure are current and where –

- (i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- (ii) exploration and/or evaluation activities in the area have not yet 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 are continuing.

When technical feasibility and commercial viability of an area of interest is demonstrable, the accumulated costs are transferred to mine properties and amortised over the life of the mine in proportion to the depletion of the economically recoverable mineral reserves.

Costs carried forward in respect of an area of interest which no longer satisfy the above policy are written off in the period in which that decision is made.

Development expenditure

Development expenditure carried forward represents the accumulation of exploration, evaluation and development expenditure.

Amortisation of development expenditure is calculated on a unit-of-production basis so as to write off the cost over the life of the project in proportion to the depletion of the anticipated recoverable mineral reserves.

h. Financial Instruments

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability
- Or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the face value of the financial asset or financial liability.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Trade receivables

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and are therefore measured at amortised cost.

Impairment of financial assets

The Group records expected credit losses on all of its trade receivables, either on a 12 month or lifetime basis. The Group applies the simplified approach and records lifetime expected losses on all trade receivables.

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the subsidiaries is determined based on the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated profit and loss.

Subsidiaries

The financial results and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the consolidated balance sheet. These differences are recognised in the consolidated profit and loss in the period in which the operation is disposed.

j. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST or Value Added Tax (VAT), except where the amount of GST or VAT incurred is not recoverable from the relevant tax authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated balance sheet are shown inclusive of GST or VAT.

Cash flows are presented in the consolidated cash flow statement on a gross basis, except for the GST or VAT component of investing and financing activities, which are presented as operating cash flows.

k. Hedging

The Company has entered into derivative financial instruments to manage its exposure to fluctuations in commodity prices. Hedge accounting is applied where the derivative financial instrument provides an effective hedge of the hedged item.

Where hedge accounting applies, at the inception of the instrument the Company designates hedges as either fair value or cash flow hedges in accordance with the nature of the underlying instrument and the company's hedging policy. Hedging documentation is established that outlines the nature of the transaction, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

To date all hedges entered into by the Company has been designated as cash flow hedges. Cash flow hedges are used to mitigate the risk of variability of future cash flows attributable to movements in the commodity prices in relation to highly probable purchase or settlement commitments in foreign currencies.

Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument at each reporting date is recognised directly in the hedging reserve via other comprehensive income until such time as the hedged item affects profit or loss, and then the gains or losses are transferred to the profit and loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit and loss. If a forecast hedged transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that were reported in other comprehensive income are transferred immediately to the profit and loss.

Offsetting financial instruments

The Group presents its derivative assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements, such as an International Swaps and Derivatives Associations (ISDA) master netting agreement. The amounts set out in Note 10 represent the derivative financial assets and liabilities of the Group that are subject to the above arrangements and are presented on a gross basis.

l. Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated profit and loss.

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

m. Income Tax

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

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The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

n. Inventories

Inventories of copper cathode and work in progress are carried at the lower of cost and net realisable value. Cost includes raw materials, labour and other direct expenditure together with a portion of fixed and variable overhead attributable to the inventory on hand, calculated on a weighted average basis.

Inventories of consumables and spares are valued at cost less, where appropriate, a provision for obsolescence.

o. Leases

Leases of property, plant and equipment where the consolidated entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss on a straight-line basis over the period of the lease.

p. Operating Segments

Operating segment information is based on the consolidated entity's reporting structure and internal reports that are regularly reviewed by the Directors for the purposes of decision making. The consolidated entity is developing a copper project on the Indonesian island of Wetar and conducting mineral exploration on Wetar Island and in Sumatra. The internal reporting structure is focussed on copper mining which forms the basis for the operating segments.

q. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets.

Depreciation

Fixed assets are depreciated over their useful lives commencing from the time the asset is held ready for use.

Depreciation on copper processing plant and equipment is calculated on a unit-of-production basis so as to write off the cost of each asset in proportion to the depletion of the economically recoverable mineral reserves.

Depreciation of other plant and equipment is calculated on a straight line basis so as to write off the cost of each asset over its estimated useful life, generally at a rate of between 12.5% and 25% per annum.

r. Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current assessment of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

s. Rehabilitation and Restoration Costs

Expenditure relating to ongoing rehabilitation and restoration programmes are provided for or charged to costs of production as incurred. Other rehabilitation and restoration costs are accrued over the life of the mine. The estimated costs are reassessed on a regular basis and changes in estimates are dealt with on a prospective basis. The estimates are based on current costs, current legal requirements and current technology.

t. Revenue

Sales of copper cathode are recognised when the title and risk have passed to the customer and the selling price can be determined with reasonable accuracy. All revenue is stated net of the amount of goods and services tax (GST).

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

u. Share-based Payments

Share-based compensation benefits are provided to employees under the Company's incentive share and option plans. The fair value of securities granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

Share-based compensation under which employees purchase shares funded by limited recourse loans from the Company is measured as the value of the options inherent within the shares issued and is expensed over the vesting period of the shares with a corresponding credit to the share-based payments reserve.

v. Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998 issued by the Australian Securities and Investments Commission and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

w. New Accounting Standards and Interpretations

(i) Accounting Standards and Interpretations Issued but Not Yet Effective

The following accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 31 December 2015 and the Group has not yet determined the impact on the financial statements:

Standard	Summary	Application date of the Standard and for the Group
AASB 2014-4 <i>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)</i>	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016
AASB 1057 <i>Application of Australian Accounting Standards</i>	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016
AASB 2015 Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in	1 January 2018

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	<p>exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>The AASB issued the Australian equivalent of IFRS 15, being AASB 15, in December 2014.</p>	
<p>AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</i></p>	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</p> <ul style="list-style-type: none"> - Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. <p>AASB 7 Financial Instruments: Disclosures:</p> <ul style="list-style-type: none"> - Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. - Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure–Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134. <p>AASB 119 Employee Benefits:</p> <ul style="list-style-type: none"> - Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p>AASB 134 Interim Financial Reporting:</p> <ul style="list-style-type: none"> - Disclosure of information ‘elsewhere in the interim financial report’ - amends AASB 134 to clarify the meaning of disclosure of information ‘elsewhere in the interim financial report’ and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. 	1 January 2016
<p>AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i></p>	<p>The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB’s Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p>	1 January 2016
<p>IFRS 16 <i>Leases</i></p>	<p>The key features of IFRS 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> - Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. - A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. - Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease 	1 January 2019

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	<p>payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</p> <ul style="list-style-type: none"> - IFRS 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> - IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. - IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>IFRS 16 supersedes IAS 17 Leases; IFRIC 4 Determining whether an Arrangement contains a Lease; SIC-15 Operating Leases—Incentives; and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</p>	
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(ii) New Accounting Standards and Interpretations

In the year ended 31 December 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Company 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 the new and revised Standards and Interpretations on the Company and, therefore no material change to the Company's accounting policies.

(iii) Early adoption of standards

The Company elected to early adopt AASB 9 *Financial Instruments* (2014) from 1 January 2015 and applied all of the consequential amendments to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10, AASB 2014-1 – Part E and AASB 2014-7.

The early adoption of AASB 9 (2014) has been applied on a retrospective basis. No material differences were identified on the adoption of AASB 9 (2014).

Changes to classification and measurement of financial assets and financial liabilities

The adoption of AASB 9 has resulted in amendments to the measurement and classification requirements for financial instruments previously accounted for under AASB 139 *Financial Instruments*.

Under AASB 9 an entity classifies its financial assets as subsequently measured at either amortised cost or fair value. An election can be made to designate a financial asset as measured at fair value through profit or loss on initial recognition if this significantly reduces an accounting mismatch. The designation at fair value through profit or loss is irrevocable.

The requirements in AASB 139 regarding classification and measurement of financial liabilities have been retained, including the related application and implementation guidance. Financial liabilities continue to be measured at either fair value through profit or loss or amortised cost. The criteria for designating a financial liability at fair value through profit or loss also remain unchanged.

Hedge accounting

AASB 9 (2014) aligns hedge accounting more closely with common risk management practices. The key components of the standard are as follows:

- Risk components that are separately identifiable and reliably measurable will be eligible as hedged items, including nonfinancial items

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- ▶ Effectiveness measurement testing is required only on a prospective basis. New hedge effectiveness criteria include existence of an economic relationship between the hedged item and the hedging instrument
- ▶ Certain requirements must be met for discontinuing hedge relationship. Changes to the hedge relationship may result in rebalancing of the hedge ratio rather than de-designation

Derivative financial instruments for which Finders elects to adopt hedge accounting will be accounted for at fair value through other comprehensive income. Hedge ineffectiveness will continue to be recognised in profit or loss.

Impairment considerations

The impairment requirements of AASB 9 are based on an expected credit loss model and replace the previous incurred loss model. The expected credit loss model applies to debt instruments recorded at amortised cost or at fair value through other comprehensive income. At each reporting date an assessment of the recoverability of financial instruments based on the probability-weighted outcome, the time value of money and the best available forward-looking information is performed.

Impact of changes to the standard

The impact on each class of financial instruments is outlined below:

Class of financial instrument presented in the statement of financial position	AASB 139- Previous classification	AASB 9 (2014)- New Classification
Cash and cash equivalents	Amortised cost	Amortised cost
Receivables	Amortised cost	Amortised cost
Financial and other financial assets	Amortised cost	Amortised cost
Derivative Financial Instruments	N/A*	Fair value through other comprehensive income**
Trade and Other Payables	Amortised cost	Amortised cost
Borrowings	Amortised cost	Amortised cost

*As at 31 December 2014, the Company did not hold any derivative assets or liabilities. Refer to Note 10 for information regarding the forward sales contracts entered into during the period.

**Ineffectiveness will be immediately recognised in the profit and loss

The adoption of AASB 9 does not have any material impact on the Finders financial information and comparatives have not been restated.

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	2015 \$'000	2014 \$'000
NOTE 3: EXPENSES		
Finance costs		
Interest charges	-	8
Provisions – unwinding of discount	399	88
Other borrowing costs	2,803	1,296
	<u>3,202</u>	<u>1,392</u>

NOTE 4: INCOME TAX

Reconciliation of income tax expense to prima facie tax payable

Loss before income tax	(44,442)	(20,505)
Income tax benefit calculated at tax rate of 30% (2014: 30%)	(13,333)	(6,152)
Tax effect of amounts which are not deductible in calculating taxable income:		
- Finance costs	-	231
- Share-based payments	(235)	39
- Other non-deductible expenses	586	330
Difference in overseas tax rate	2,718	1,346
Deferred tax assets not brought to account	(4,645)	4,206
Income tax benefit	<u>(14,909)</u>	<u>-</u>

a) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	66,810	60,646
Potential tax benefit at 30% (Australia), 25% (Indonesia)	17,767	15,840

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank and in hand		24,423	47,946
Restricted cash	5(a)	9,305	-
		<u>33,728</u>	<u>47,946</u>

a) Restricted cash

Cash at bank includes \$9.3 million held in a cost over-run facility account pursuant to the Wetar project finance facility. The cash is available to be drawn for the Wetar project construction cost in conjunction with loan drawdowns under the project cost over-run facility.

b) Risk exposure

The group's exposure to interest rate risk is discussed in Note 29. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

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	2015 \$'000	2014 \$'000
NOTE 6: RECEIVABLES		
CURRENT		
Trade debtors	-	769
Income tax receivable	-	188
Goods and services tax receivable	26	-
Other receivables	754	292
	780	1,249

NON-CURRENT		
Value added tax receivable	14,327	4,700
Income tax receivable	641	-
	14,968	4,700

NOTE 7: FINANCIAL ASSETS

CURRENT		
Deferred borrowing costs	2,346	-
Security deposit	7(a) 34	40
	2,380	40

NON-CURRENT		
Deferred borrowing costs	-	4,183
Security deposits	7(a) 1,302	235
	1,302	4,418

- a) Security deposits include –
- (i) \$28,000 (2014: \$40,000) held by the parent entity's banker to secure a bank guarantee issued by the bank on behalf of the parent entity (Note 20).
 - (ii) \$210,000 (2014: \$205,000) environmental bond placed by a subsidiary with the Indonesian government to secure the subsidiary's rehabilitation obligations at the Wetar Copper Project.
 - (iii) \$1.07 million (2014: Nil) held by a controlled entity's banker to secure a bank guarantee issued by the bank on behalf of the controlled entity (Note 20).

The remaining security deposits comprise cash held by suppliers to a controlled entity to secure contracts and payments for goods and services.

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	2015 \$'000	2014 \$'000
NOTE 8: INVENTORIES		
<i>Inventories, at cost</i>		
Raw materials and consumables	3,243	1,635
Work in progress	2,472	797
Finished goods	1,032	330
	6,747	2,762

NOTE 9: OTHER ASSETS

Prepayments	2,088	344
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NOTE 10: HEDGING DERIVATIVE ASSET

The group has entered into forward contracts in respect of –

- a) 40,699 tonnes of copper to be produced from the Wetar Copper Project. The contracts are at an average price of US\$5,940 per tonne and cover the period from July 2016 to March 2019. At 31 December 2015, the contracts have a fair value (mark to market gain) of A\$67.4 million.
- b) 255,000 barrels of Singapore Gas Oil (High Speed Diesel) to be used at the Wetar Copper Project. The contracts are at an average price of US\$69.52 per barrel and cover the period from January 2016 to December 2017. At 31 December 2015, the contracts have a fair value (mark to market loss) of A\$6.5 million.

The forward contracts are designated and qualify as cashflow hedges to hedge the Group's exposure to variability of cashflows arising from its future copper production and sales and diesel purchases.

The fair value of the forward contracts is determined by reference to current forward commodity prices, which is categorised as level 2 of the fair value hierarchy. The principal inputs to the valuation are commodity prices, volatilities and discount rates. Commodity prices are determined by reference to published prices.

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	2015 \$'000	2014 \$'000
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NOTE 11: PLANT AND EQUIPMENT

Plant and equipment – at cost	18,400	17,745
Less: accumulated depreciation	(4,010)	(4,167)
	14,390	13,578
Construction in progress	7,951	7,082
	22,341	20,660
Movements:		
<i>Plant and equipment</i>		
Opening net book value	20,660	21,658
Additions	608	3,013
Disposals	(506)	-
Impairment provision	-	(4,638)
Depreciation charge	(954)	(1,490)
Exchange rate effect	2,533	2,117
Closing net book value	22,341	20,660

NOTE 12: DEVELOPMENT EXPENDITURE

Development expenditure	49,538	40,573
Less: accumulated amortisation	(3,061)	(1,063)
	46,477	39,510
Capital works in progress	97,782	-
	144,259	39,510
Movements:		
Opening net book value	39,510	21,185
Additions	100,800	16,821
Amortisation charge	(896)	(423)
Exchange rate effect	4,845	1,927
Closing net book value	144,259	39,510

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	2015 \$'000	2014 \$'000
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NOTE 13: TRADE AND OTHER PAYABLES

Trade creditors and accruals	22,648	10,301
Accrued interest	833	-
	23,481	10,301

Information on the Group's exposure to foreign exchange risks is set out in Note 29.

a) Foreign currency risks

Trade creditors and accruals are denominated in the following currencies -

Australian Dollar	1,467	873
United States Dollar	13,156	6,995
Indonesian Rupiah	8,858	2,433
	23,481	10,301

NOTE 14: PROVISIONS

CURRENT

Employee benefits	604	703
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NON CURRENT

Employee benefits(ii)	3,525	1,058
Rehabilitation and restoration (i)	7,669	5,082
	11,194	6,140

Movements:

(i) Provision for rehabilitation and restoration

Opening balance	5,082	1,309
Provision for the year	1,564	3,558
Unwinding of discount	399	88
Exchange rate effect	624	127
Closing balance	7,669	5,082

The provision for rehabilitation and restoration has been recognised in connection with the consolidated entity's closure obligations when the Wetar Copper Project ceases operations in the future. The timing of the site rehabilitation will depend on the mine life of the full scale project to be developed.

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(ii) Provision for Indonesian long term benefit obligations

The provision for employee benefits consists of annual leave, long service leave and Indonesia labor law requirements. The balance includes \$3.4 million in relation to the provision for the Indonesian defined benefit obligations. The movement in this provision has been shown below:

	2015
	\$'000
Opening balance	944
<i>Charges to the profit and loss</i>	
Service costs	3,232
Net interest expense	493
	<u>3,725</u>
<i>Remeasurement through OCI</i>	
Actuarial adjustments arising from changes in assumptions and experience adjustments	(812)
	<u>(812)</u>
Benefits paid during the year	<u>(451)</u>
Closing balance	<u>3,406</u>

The principle assumptions used in determining the provision under the projected unit credit method are shown below:

Discount rate per annum	9.0%
Future Salary increase	8.0%
Retirement	58 years
Life of mine	7 years
Mortality rate	100% TMI 3
Disability	10% TMI 3

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2015
\$'000

2014
\$'000

NOTE 15: BORROWINGS

CURRENT

Loan (secured)	15(a)	19,431	-
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NON CURRENT

Loan (secured)	15(a)	100,938	-
Loan (unsecured)	15(b)	46,190	38,538
		147,128	38,538

a) Loan (secured)

The Group has signed a Senior Secured Project Finance Facility Agreement with a syndicate of banks. Under the agreement, the banking syndicate has agreed to provide loan facilities totaling US\$162 million consisting of:

Facility	Amount	Interest rate	Maturity date
Term loan facility	US\$127 million	LIBOR + 5.00%	31 Mar 2019
Cost overrun facility	US\$20 million	LIBOR + 5.75%	30 Sep 2018
VAT working capital facility	US\$15 million	LIBOR + 5.00%	30 Sep 2018

The facilities have first ranking security over the Wetar Copper Project.

b) Loan (unsecured)

The Group secured US\$45 million in funding from Daewoo International Corporation for the expansion of the Wetar Copper Project, of which US\$31.4 million was provided as an unsecured loan. Interest at the rate of 10% per annum is payable on the loan from commencement of commercial production at the Wetar Copper Project. The loan is subordinated to the secured loan above.

c) Foreign currency risks

The borrowings are denominated in the following currencies -

United States Dollar	167,568	38,316
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	Note	2015 Number	2014 Number	2015 \$'000	2014 \$'000
NOTE 16: ISSUED CAPITAL					
Contributed equity					
Issued and paid up shares	16(a)	661,267,245	661,267,245	151,699	151,699
Employee incentive shares	16(b),24(b)	12,400,000	14,957,000	-	-
Converting Notes	16(c)	-	-	5,185	5,185
		673,667,245	676,224,245	156,884	156,884

a) Issued shares

		Number of shares '000	Issue price \$	Issued capital \$'000
Movements:				
2015				
01 Jan 2015	Balance at beginning of financial year	676,224		151,699
03 Feb 2015	Employee incentive shares	1,633	-	-
15 Dec 2015	Share buy-back	(4,190)	-	-
31 Dec 2015	Balance at end of financial year	673,667		151,699
2014				
01 Jan 2014	Balance at beginning of financial year	511,438		127,173
03 Jan 2014	Placement of shares	8,334	0.18	1,500
10 Jan 2014	Placement of shares	47,222	0.18	8,500
05 Jun 2014	Placement of shares	71,430	0.14	10,000
24 Jun 2014	Entitlement offer	37,800	0.14	5,292
		676,224		152,465
	Share issue expenses			(766)
31 Dec 2014	Balance at end of financial year	676,224		151,699

b) Employee incentive shares

The Company has issued incentive shares to employees and executive directors under the Finders Employee Share Plan as well as incentive shares to the Non-Executive Chairman on similar terms to the plan. This share-based compensation under which the employees and directors purchase shares funded by limited recourse loans from the Company is measured as the value of the options inherent within the shares issued and is expensed over the expected life of the shares with a corresponding credit to the share-based payments reserve.

c) Converting Notes

The Company raised US\$5,500,000 from Standard Bank Plc in 2012 pursuant to mandatory Converting Notes, which will convert into 12,248,538 shares in the Company on or before 16 March 2018 at a conversion price of A\$0.427 per share. The Notes will convert into shares and have been treated as equity for accounting purposes.

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d) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At a general meeting on a show of hands, each shareholder present has one vote and on a poll each shareholder present has:

- (i) one vote for each fully paid share held; and
- (ii) for each share which is not fully paid a fraction of a vote equivalent to the proportion which the amount paid up, but not credited as paid up, on that share bears to the total of the amounts paid and payable (excluding amounts credited) on that share.

e) Capital management

At this stage of the consolidated entity's development, its funding requirements have largely been sourced from equity funds. During the year, the company also secured a project finance facility for the development of the Wetar Copper Project. Its objectives in capital management are to ensure that the consolidated entity can meet its debts as and when they become due and payable and to maintain an optimal capital structure to reduce the cost of capital.

Under the project finance facility, the consolidated entity is subject to financial covenants typical of facilities of this nature, such as loan life cover ratios, project life cover ratios and reserve tail ratios. The consolidated entity was in compliance with all financial covenants under the project finance facility.

2015	2014
'000	'000

NOTE 17: OPTIONS

a) Number of options on issue

Balance at beginning of financial year	54,156	70,656
Less: Options lapsed	-	(16,500)
Balance at end of financial year	54,156	54,156

b) Details of options on issue

The Company has granted the options set out below to lenders in consideration for the interest bearing loan facility.

Grant Date	Expiry Date	Exercise Price	Number		Vested and exercisable	
			2015 '000	2014 '000	2015 '000	2014 '000
06 Jun 2012	06 Jun 2017	\$0.35	22,857	22,857	22,857	22,857
22 Oct 2012	22 Oct 2017	\$0.2556	31,299	31,299	31,299	31,299
			54,156	54,156	54,156	54,156
Weighted average exercise price			\$0.30	\$0.30	\$0.30	\$0.30

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	2015 \$'000	2014 \$'000
NOTE 18: RESERVES		
Equity reserve	6,045	6,045
Hedge derivative reserve	32,250	-
Foreign currency translation reserve	17,767	8,709
Share-based payments reserve	695	1,480
Other reserve	585	-
	57,342	16,234

a) Equity reserve

The equity reserve arises from the acquisition of shares in a controlled entity from a minority shareholder and the value of conversion rights attached to the convertible note and options granted.

b) Hedge derivative reserve

The hedge derivative reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income.

c) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

d) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity instruments issued to employees.

e) Other reserve

The other reserve is used to recognise the actuarial re-measurement gains and losses in relation to the defined benefit obligations.

	2015 \$'000	2014 \$'000
NOTE 19: COMMITMENTS		

a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Plant and equipment		
- Payable within 1 year	52,486	14,085
- Payable later than 1 year but not later than 5 years	25,683	-
	78,169	14,085

FINDERS RESOURCES LIMITED

	2015 \$'000	2014 \$'000
b) Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases		
- Payable within 1 year	3,930	534
- Payable later than 1 year but not later than 5 years	8	12
	3,938	546

The Group leases offices and equipment under operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

NOTE 20: CONTINGENT LIABILITIES

a) Guarantees

Bank guarantees	1,112	33
-----------------	-------	----

The bank guarantees issued by the Group's bankers in favour of third parties to secure obligations of the Group is secured by cash on deposit with the banks (Note 7).

b) Claim by contractor

In 2011, PT Batutua Tembaga Raya ("BTR"), a subsidiary of the Company, entered into a contract for the purchase and refurbishment of six marine fuel oil generators for use at the Wetar Copper Project. The contract amounted to approximately US\$8.6 million, of which the subsidiary has paid US\$3.8 million (including storage charges).

In September 2014, BTR terminated the contract following breaches of the contract identified by BTR. Subsequent to balance date, an arbitration process between BTR and the contractor was commenced. BTR has filed a claim for sums paid under the contract as well as the costs of securing an alternate supply of power. The total claim by BTR is in excess of US\$27 million. The contractor's initial claim was for damages for breach of contract in the amount of US\$5 million although the directors believe the contractor is likely to materially reduce the amount claimed. The matter is currently scheduled for a hearing before the arbitrator in April 2016 in Hong Kong.

Due to the uncertainty relating to the arbitration, the Group fully impaired the carrying value of the generators in the 31 December 2014 financial statements. The Group intends to vigorously pursue its rights under the contract which may lead to a recovery of some or all of the amount provisioned. In the event that the outcome of the arbitration is unfavourable, the Group has a possible exposure. It is not practical to estimate the potential effect of this claim but the directors are of the view that it is not probable that a significant liability will arise.

FINDERS RESOURCES LIMITED

	Country of Incorporation	Percentage Owned*	
		2015 %	2014 %
NOTE 21: CONTROLLED ENTITIES			
Banda Minerals Pty Ltd and its subsidiary	Australia	100.00	100.00
- PT Batutua Tembaga Raya (“BTR”) and its subsidiary	Indonesia	75.90	75.90
- PT Batutua Kharisma Permai (“BKP”) **	Indonesia	70.00	70.00
Way Kanan Resources Pty Ltd (“WKR”) and its subsidiary	Australia	71.71	71.71
- PT Batutua Lampung Elok (“BLE”) **	Indonesia	100.00	100.00

* *Percentage of voting power is in proportion to ownership*

**BKP is 70% owned by BTR. BLE is 99.6% owned by WKR and 0.4% owned by Finders.

The Company's interest in the Wetar Copper Project is held through PT Batutua Tembaga Raya ("BTR") and PT Batutua Kharisma Permai ("BKP"). Through BTR and BKP, the Finders group holds a 72.1% (2014: 72.1%) economic interest in the Wetar Copper Project.

FINDERS RESOURCES LIMITED

NOTE 22: OPERATING SEGMENTS

The consolidated entity's operations are situated in two geographical locations, being Australia and Indonesia. Its minerals business is based in Indonesia where it is currently producing copper cathode from a 3,000 tonnes per annum plant from the Wetar Copper Project, in parallel with the development of the project to expand the production capacity to 28,000 tonnes per annum by the addition of a 25,000 tonnes per annum plant. It is also conducting mineral exploration on Wetar Island and in Sumatra. Corporate activities are based in Australia and are not considered an operating segment.

	Copper Mining		Total	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Revenue				
Sales revenue	6,042	9,961	6,042	9,961
Interest income			15	24
Total revenue			6,057	9,985
Result				
Segment result	(41,280)	(15,640)		
Income tax benefit	14,909	-		
Post-tax segment result	(26,371)	(15,640)	(26,371)	(15,640)
Administration expenses			(3,162)	(4,865)
Loss after income tax			(29,533)	(20,505)
Assets				
Segment assets	303,562	114,830	303,562	110,413
Unallocated assets (i)			7,328	6,759
Total assets			310,890	117,172
Liabilities				
Segment liabilities	222,605	55,318	222,605	55,318
Unallocated liabilities (i)			688	364
Total liabilities			223,293	55,682

- (i) Unallocated assets represent largely cash held by the parent company. Unallocated liabilities represent trade creditors and provisions.

Geographical Segments

	Revenue from Sales to External Customers		Non-current assets*	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Revenue	6,042	9,961		
Property, Plant and Equipment			22,300	20,660
Development Expenditure			144,259	39,510
Indonesia	6,042	9,961	166,559	60,170

* Non-current assets for this purpose consist of property, plant and equipment and development expenditure.

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NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES

Detailed remuneration disclosures are set out in the Remuneration Report section of the Directors' Report on pages 26 to 33.

	2015	2014
	\$	\$
a) Key management personnel compensation		
Short-term employment benefits	1,293,246	1,314,372
Post-employment benefits	62,420	68,726
Share-based payments	128,930	122,500
	<u>1,484,596</u>	<u>1,505,598</u>

NOTE 24: SHARE-BASED PAYMENTS

a) Expense arising from share-based payments

Shares issued under employee share scheme	(785)	129
	<u>(785)</u>	<u>129</u>

The Company has an Employee Share Ownership Plan designed to provide long-term incentives to employees of the consolidated entity. The scheme is administered by the Directors who have power to determine the terms and conditions of the shares issued to eligible employees. Participation is at the discretion of the Board.

The incentive shares issued during the year are subject to performance hurdles linked to the expansion of the Wetar Copper Project, such as securing project finance, completion of the project construction on time and attaining a consistent level of copper cathode production.

b) Shares granted

The Company has granted the incentive shares set out below to directors and employees of the consolidated entity.

Grant Date	Expiry Date	Exercise Price	Number		Vested and exercisable	
			2015 '000	2014 '000	2015 '000	2014 '000
3 Feb 2015	1 Jan 2017	\$0.35	300	-	300	-
3 Feb 2015	1 Jan 2018	\$0.21	300	-	300	-
3 Feb 2015	1 Jan 2019	\$0.19	300	-	300	-
3 Feb 2015	2 Feb 2020	\$0.19	1,000	-	-	-
8 Nov 2013	7 Nov 2021	\$0.2008	3,500	3,500	-	-
8 Nov 2013	7 Nov 2021	\$0.2508	3,500	3,500	-	-
8 Nov 2013	7 Nov 2021	\$0.3008	3,500	3,500	-	-
04 Apr 2012	31 Mar 2017	\$0.39	-	-	-	-
21 Jan 2011	30 Nov 2015	\$0.43	-	2,600	-	-
20 Apr 2011	20 Apr 2016	\$0.43	-	-	-	-
30 Nov 2010	30 Nov 2015	\$0.43	-	1,857	-	-
			<u>12,400</u>	<u>14,957</u>	<u>900</u>	<u>-</u>

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Fair value of shares granted

The fair value of the shares granted during the year were measured as the value of the options inherent within the shares issued (Note 2(u)) and were estimated using the Black Scholes option pricing model with the assumptions below. The expected price volatility is based on the historic volatility (based on the life of the options inherent within the shares issued), adjusted for any expected changes to future volatility derived from publicly available information.

Number '000	Grant date	Expiry date	Exercise price	Share price at grant date	Risk free rate	Volatility
300	3 Feb 2015	1 Jan 2017	\$0.35	\$0.145	3.25%	45%
300	3 Feb 2015	1 Jan 2018	\$0.21	\$0.145	3.25%	45%
300	3 Feb 2015	1 Jan 2019	\$0.19	\$0.145	3.25%	45%
1,000	3 Feb 2015	2 Feb 2020	\$0.19	\$0.145	3.25%	45%
<u>1,900</u>						

The shares are of the same class as other issued shares and are entitled to participate in dividends declared by the Company. The expected life of the shares is assumed to be the time up to the expiry dates.

2015
\$

2014
\$

NOTE 25: AUDITOR'S REMUNERATION

Ernst & Young Australia

(2014: PricewaterhouseCoopers Australia)

- Audit and review of financial report
- Tax consulting

60,000

73,000

-

-

Ernst & Young Indonesia

(2014: PricewaterhouseCoopers Indonesia)

- Audit and review of financial report
- Tax consulting

59,642

45,111

-

-

119,642

118,111

NOTE 26: EARNINGS PER SHARE

2015

2014

Basic loss per share

(4.4 cents)

(3.3 cents)

Diluted loss per share

(4.4 cents)

(3.3 cents)

\$'000

\$'000

Loss used to calculate basic and diluted loss per share

(29,533)

(20,505)

No.

No.

Weighted average number of ordinary shares used in calculating basic and diluted loss per share

677,521,171

626,209,689

FINDERS RESOURCES LIMITED

	2015 \$'000	2014 \$'000
NOTE 27: RECONCILIATION OF LOSS BEFORE INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES		
Loss for the year before tax	(44,442)	(20,505)
Depreciation and amortisation	1,850	1,913
Financing costs	3,202	1,392
Share based payments	(785)	129
Employee benefits provision	2,106	-
Development costs written-off	-	1,354
Impairment provision	-	4,214
Unrealised foreign exchange loss/(gain)	531	(673)
Unwinding of discount	399	-
Other	27	124
Changes in assets and liabilities -		
(Increase)/decrease in receivables	(9,800)	(4,147)
(Increase)/decrease in financial assets	-	(97)
(Increase)/decrease in inventories	(3,985)	(1,954)
(Increase)/decrease in other assets	(4)	(222)
Increase/(decrease) in trade and other payables	3,740	719
Increase/(decrease) in provisions	2,368	615
Increase)/decrease in other liabilities	-	(156)
Net cash used in operating activities	(44,793)	(17,294)

NOTE 28: RELATED PARTY TRANSACTIONS

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

(a) Parent entity

Finders Resources Limited is the ultimate parent entity of the group. Interests in subsidiaries are set out in Note 21.

(b) Directors and director-related entities

Participation in entitlement offer Nil (2014: 3,929,279 shares at \$0.14 per share) by Provident Minerals Pte Ltd, a company in which Mr G A Caudle, a director, is a significant shareholder

- 550

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 23 and the Remuneration Report.

NOTE 29: FINANCIAL RISK MANAGEMENT

The consolidated entity is headquartered in Australia and operates in Indonesia where it is developing the full scale Wetar Copper Project and conducting exploration on Wetar Island and at the Ojolali gold-silver project in Sumatra. It is exposed to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk and fair value interest rate risk), credit risk and liquidity risk.

The Board has overall responsibility for the determination of the consolidated entity's risk management objectives and policies. The consolidated entity's risk management program focuses on the unpredictability and volatility of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity without unduly affecting its ability to operate and function.

The Board engages external consultants to advise on such risks from time to time.

a) Market Risk

i) Foreign currency risk

The consolidated entity operates in Indonesia and is exposed to foreign exchange risk arising from currency exposures, primarily the United States Dollar and the Indonesian Rupiah.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the consolidated entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

ii) Commodity price risk

The consolidated entity is exposed to adverse movements in the price of copper it sells as well as the price of diesel it purchases for use at the Wetar Copper Project. The risks could be managed through the use of derivative financial instruments such as forward sale and option contracts.

During the year, the consolidated entity entered into forward sale contracts over 40,699 tonnes of copper to be produced from the Wetar Copper Project. The contracts are at an average price of US\$5,940 per tonne and cover the period from July 2016 to March 2019.

The consolidated entity also entered into forward sale contracts over 255,000 barrels of Singapore Gas Oil (High Speed Diesel) to be used at the Wetar Copper Project. The contracts are at an average price of US\$69.52 per barrel and cover the period from January 2016 to December 2017. These forward contracts qualify for cash flow hedge accounting.

iii) Interest rate risk

The consolidated entity is exposed to interest rate risk through its cash deposits held with banks and the interest rate payable on its secured loan facilities.

iv) Credit Risk

Credit risk is the risk that counterparties may default on their contractual obligation, resulting in a financial loss to the consolidated entity.

The risk arises from cash and deposits with financial institutions and credit exposures to trade customers. The consolidated entity minimises this risk by maintaining its banking relationships with credit-worthy financial institutions. The consolidated entity deals largely with Commonwealth Bank of Australia (AA- credit rating) and BNP Paribas (A credit rating).

Copper sales are either secured by letters of credit issued by the customers' banks or are to credit-worthy counterparties.

The maximum exposure is the carrying amount in the statement of financial position. The significant concentration of credit risk is in relation to the cash and cash equivalents.

v) Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity manages its liquidity risk by closely monitoring its forecast and actual cash flows. The consolidated entity generated some cash flow from the Wetar Copper Project. Its additional funding requirements are sourced from debt finance and equity raisings. The appropriate level of liquidity is determined by cash flow forecasting. Surplus funds are invested on short-term deposits.

b) Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

The total contractual cash flows at each maturity date is equal to the carrying value except for the loans in the tables below. The loans had a face value of \$167.6 million (2014: \$38.3 million).

FINDERS RESOURCES LIMITED

		Weighted Average Effective Interest		Fixed Interest Rate Maturing							
		Rate		Floating Interest Rate		Within 1 year		Within 1 to 5 years		TOTAL	
Consolidated	Note	2015 %	2014 %	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial Assets:											
Cash and cash equivalents	5	1.68	2.41	33,728	47,946	-	-	-	-	33,728	47,946
Security deposit	7	-	-	34	40	1,093	-	-	38	1,127	40
Total Financial Assets				33,762	47,986	1,093	-	-	38	34,855	47,986
Financial Liabilities:											
Loan	15	7.14*	10.00*	-	-	19,431	-	148,137	53,638	167,568	53,638
Total Financial Liabilities				-	-	19,431	-	148,137	53,638	167,568	53,638

*Interest payable from commencement of commercial production at the Wetar Copper Project

FINDERS RESOURCES LIMITED

		Non Interest Bearing							
		Within 1 year		Within 1 to 5 years		Over 5 years		TOTAL	
Consolidated	Note	2015	2014	2015	2014	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:									
Receivables	6	780	1,249	14,968	4,700	-	-	15,748	5,949
Security deposit	7	-	-	-	-	210	205	210	205
Total Financial Assets		780	1,249	14,968	4,700	210	205	15,958	6,154
Financial Liabilities:									
Trade and other payables	13	23,481	10,301	-	-	-	-	23,481	10,301
Total Financial Liabilities		23,481	10,301	-	-	-	-	23,481	10,301

FINDERS RESOURCES LIMITED

Derivatives

Copper and Fuel Swaps – Maturity Analysis

Derivative	0 – 6 months	6 – 12 months	12 – 24 months	Over 24 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Copper Swaps					
Receive- forward	-	64,256	125,685	140,941	330,882
Pay- spot	-	49,942	99,305	114,246	263,493
Fuel Swaps					
Receive– spot	3,935	4,293	9,538	-	17,766
Pay- forward	5,810	6,031	12,472	-	24,313
Total					
Receive	3,935	68,549	135,223	140,941	348,648
Pay	5,810	55,973	111,777	114,246	287,806
Net Receive/ (Pay)	(1,875)	12,576	23,446	26,695	60,842

c) Net Fair Values

All financial assets and liabilities included in the balance sheet are carried at the amount considered to be recoverable which is an approximate to fair value.

d) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk

The consolidated entity has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and commodity price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Commodity price sensitivity analysis

The effect on loss as a result of changes in the price of copper, with all other variables remaining constant would be as follows:

	2015 \$'000	2014 \$'000
Change in loss		
- Increase in copper price by 10%	648	999
- Decrease in copper price by 10%	(648)	(999)

Interest rate sensitivity analysis

The effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

Change in loss		
- Increase in interest rate by 2%	2	8
- Decrease in interest rate by 2%	(2)	(8)

FINDERS RESOURCES LIMITED

The Group incurs interest expense on a project finance loan for the construction of the Wetar Copper Project (Note 15). The interest is capitalised as part of the mine development costs.

Foreign Currency Risk Sensitivity Analysis

The effect on loss as a result of changes in the value of the Australian Dollar to the United States Dollar, with all other variables remaining constant is as follows:

	2015	2014
	\$'000	\$'000
Change in loss		
- Improvement in AUD to USD by 5%	2,884	2,029
- Decline in AUD to USD by 5%	(3,187)	(2,243)

Foreign Currency Risk Sensitivity Analysis

The effect on loss as a result of changes in the value of the Australian Dollar to the Indonesian Rupiah, with all other variables remaining constant is as follows:

Change in loss		
- Improvement in AUD to IDR by 5%	2,342	24
- Decline in AUD to IDR by 5%	(2,589)	(27)

Parent Entity

	2015	2014
	\$'000	\$'000

NOTE 30: PARENT ENTITY FINANCIAL INFORMATION

Balance sheet

Current assets	7,722	7,045
Total assets	189,200	164,047
Current liabilities	432	473
Total liabilities	33,264	29,729

Shareholders' equity

Contributed equity	156,884	156,884
Reserves		
Equity reserve	6,233	6,233
Share-based payments reserve	696	1,480
Accumulated losses	(7,877)	(29,608)
	155,936	134,989
Profit for the year	21,731	12,497
Total comprehensive income	21,731	12,497

FINDERS RESOURCES LIMITED

Guarantees entered into by the parent entity

No guarantees were entered into by the parent entity.

Contingent liabilities of the parent entity

There are no contingent liabilities.

Contractual commitments for the acquisition of property, plant and equipment

No contractual commitments were entered into by the parent entity.

NOTE 31: EVENTS AFTER BALANCE SHEET DATE

There are no significant events after balance date.

FINDERS RESOURCES LIMITED

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. the financial statements and notes set out on pages 35 to 74 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have received the declarations by the Chief Executive Officer and Chief Financial Officer pursuant to section 295A of the *Corporations Act 2001*.

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



Gary Comb
Chairman

Perth
31 March 2016

Independent auditor's report to the members of Finders Resources Limited

We have audited the accompanying financial report of Finders Resources Limited, which comprises the consolidated statement of financial position as at 31 December 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 of the consolidated entity comprising 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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 about 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 judgment, 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 controls relevant to the entity'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 the entity's internal controls. 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.

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. We have given to the directors of the company a written Auditor's Independence Declaration.

Opinion

In our opinion:

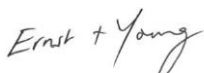
- a. the financial report of Finders Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - ii complying with 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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 26 to 33 of the directors' report for the year ended 31 December 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.

Opinion

In our opinion, the Remuneration Report of Finders Resources Limited for the year ended 31 December 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



T S Hammond
Partner
Perth
31 March 2016

FINDERS RESOURCES LIMITED

SHAREHOLDERS INFORMATION AS AT 26 MARCH 2016

ISSUED SECURITIES

	Ordinary Shares (quoted)	Incentive Shares (unquoted)	Total Ordinary Shares	Converting Notes* (unquoted)
Shares	661,267,245	12,400,000	673,667,245	12,248,538

	Options (unquoted)	Total Options
Options	54,156,048	54,156,048

* 55 mandatory Converting Notes of US\$100,000 each issued to Standard Bank Plc which will convert into 12,248,538 ordinary shares on or before 16 March 2018

DISTRIBUTION OF HOLDERS

Range	Ordinary Shares	Options
1 - 1,000	85	-
1,001 - 5,000	125	-
5,001 - 10,000	121	-
10,001 - 100,000	545	-
100,001 and over	294	4
	1,170	4

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders in the Company, as disclosed in substantial holding notices given to the Company are:

	Date of last notice	Holding	Percentage
Taurus SM Holdings Pty Limited	25 Jun 2014	87,339,525	12.92%
Resource Capital Fund IV LP	04 Jul 2014	73,409,390	11.1%
Provident Minerals Pte Ltd	05 Feb 2014	71,320,666	12.58%
Acorn Capital Limited	10 Jun 2014	61,206,834	9.26%
PT Saratoga Investama Sedaya Tbk	26 Aug 2013	33,060,606	7.02%

NON-MARKETABLE PARCELS

There were 158 shareholders with less than a marketable parcel (shareholdings with a market value of less than \$500).

ON-MARKET BUY-BACK

There is no current on-market buy-back.

FINDERS RESOURCES LIMITED

TOP 20 SHAREHOLDERS

		Holding	Percentage %
1	Provident Minerals Pte Ltd	80,058,765	11.88
2	Merrill Lynch (Australia) Nominees Pty Limited	73,409,390	10.90
3	Bond Street Custodians Limited <Taurus Resources Ltd Partner A/C>	68,009,731	10.10
4	PT Saratoga Investama Sedaya	47,033,990	6.98
5	J P Morgan Nominees Australia Limited	35,327,691	5.24
6	HSBC Custody Nominees (Australia) Limited	32,440,463	4.82
7	Goldstar Mining Asia Resources (L) BHD	19,489,218	2.89
8	Bond Street Custodians Limited <Taurus Resources TST A/C>	19,329,794	2.87
9	PT Teknologi Riset Global Investama	18,611,111	2.76
10	National Nominees Limited	15,970,251	2.37
11	Jetosea Pty Ltd	14,731,854	2.19
12	Hillboi Nominees Pty Ltd	13,743,971	2.04
13	Citicorp Nominees Pty Limited	10,160,629	1.51
14	Goldfire Enterprises Pty Ltd	8,834,024	1.31
15	Spar Nominees Pty Ltd	8,413,668	1.25
16	Mr Gary Ernest Comb	8,000,000	1.19
17	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	7,350,716	1.09
18	Cape Bouvard Equities Pty Ltd	6,428,571	0.95
19	Dr Christopher Ben Farmer	5,965,695	0.89
20	BNP Paribas Noms Pty Ltd	5,863,440	0.87
TOTAL		499,172,972	74.10

OPTIONHOLDERS

Expiry Date Exercise Price	6 Jun 2017 \$0.35		22 Oct 2017 0.2556		TOTAL
Holder Name	No.	%	No.	%	No.
Resource Capital Fund IV LP	8,571,429	37.5	11,737,089	37.5	20,308,518
Bond Street Custodians Limited <Taurus Resources Ltd Partner A/C>	7,092,623	31.0	10,989,317	35.1	18,081,940
Bond Street Custodians Limited <Taurus Resources TST A/C>	1,478,806	6.5	4,660,135	14.9	6,138,941
National Nominees Limited	5,714,286	25.0	3,912,363	12.5	9,626,649
TOTAL	22,857,144	100.0	31,298,904	100.0	54,156,048

FINDERS RESOURCES LIMITED

CORPORATE DIRECTORY

Directors	Gary Ernest Comb Barry John Cahill Gavin Arnold Caudle Gordon Thomas Galt Christopher Howard Brown Douglas Len Po Tay	Non-Executive Chairman Managing Director Non-Executive Director Non-Executive Director Alternate for Gordon Galt Alternate for Gavin Caudle
Secretary	James Hamilton Wentworth	
Registered Office	Level 1 5 Ord Street West Perth WA 6005 Telephone: + (61 8) 6555 3996 Facsimile: + (61 8) 6555 3998 Email: info@findersresources.com	
Website	www.findersresources.com	
Stock Exchange Listing	ASX: FND	
Auditor	Ernst & Young 11 Mounts Bay Road Perth WA 6000	
Share Registry	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000 Australia Telephone – 1300 737 760 (within Australia) +61 2 9290 9600 (outside Australia)	
Australian Business Number	82 108 547 413	