



(ACN 100 714 181)

**Annual Report**  
For the year ended 30 June 2016

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# Corporate Directory



ACN: 100 714 181

## ASX Code: KRC

King River Copper shares are listed on the Australian Stock Exchange (ASX)

## DIRECTORS

Anthony Barton (Chairman)

Leonid Charuckyj (Director)

Greg MacMillan (Director)

## COMPANY SECRETARY

Greg MacMillan

## REGISTERED OFFICE

254 Adelaide Tce

Perth WA 6000

Tel: (08) 9221 8055

Fax: (08) 9325 8088

Email: [info@kingrivercopper.com.au](mailto:info@kingrivercopper.com.au)

## SOLICITORS

Fairweather Corporate Lawyers

595 Stirling Highway

Cottesloe WA 6011

## BANKERS

ANZ Banking Corporation

8 St Georges Tce

Perth WA 6000

## SHARE REGISTER

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

## AUDITORS

Ernst and Young

11 Mounts Bay Road

Perth WA 6000

## INTERNET ADDRESS

[www.kingrivercopper.com.au](http://www.kingrivercopper.com.au)

# Directors Report



The directors submit their report for King River Copper Limited ("King River" or "the Company") and its controlled entities for the year ended 30 June 2016.

## DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. The directors were in office for the entire period unless otherwise stated. No director has served as a director of any other ASX Listed Companies in the past 3 years unless mentioned below.

### **Anthony Barton**

#### **Chairman**

#### **Appointed 21<sup>st</sup> May 2007**

Mr Barton has been involved in founding and growing a number of successful listed public companies. He has extensive experience in capital markets, corporate finance, funds management and venture capital and has had advisory roles in the incorporation and listing of many Australian based resource companies.

Mr Barton is the founding Executive Chairman of the boutique investment bank Australian Heritage Group. He is a graduate of the Royal Melbourne Institute of Technology with a Bachelor of Business (Accountancy) degree and has 34 years of commercial experience having also acted in senior executive and director capacities for two leading Australian stockbroking firms.

Mr Barton is also a non-executive Chairman of Spectrum Resources Limited.

### **Leonid Charuckyj**

#### **Director**

#### **Appointed 13<sup>th</sup> December 2011**

Mr. Charuckyj (B.E. and M.Eng-Sc. Melbourne University) has had extensive experience over a broad range of technical, engineering, management and corporate roles including senior positions in government, public and private industry both in Australia and overseas. Focus has been on the environmental, pollution control and waste management industries and on the energy and mining industries amongst others.

This has included such diverse roles as representing Australia as an expert engineering advisor in the Middle East, developing and commercialising new technologies (both in the public company arena and for major international groups), and managing all aspects of an industrial minerals development from mine and processing to product development and marketing. Mr Charuckyj is also a non-executive director of Spectrum Resources Limited.

### **Gregory MacMillan**

#### **Director - Appointed 2<sup>nd</sup> July 2014**

#### **Company Secretary - Appointed 9<sup>th</sup> August 2012**

Greg MacMillan has wide ranging corporate, financial, capital markets and commercial experience over the last 30 years. Greg has held the positions of director, company secretary, chief financial officer, and corporate finance executive in numerous companies across the finance, mining and commercial sectors. Greg holds a Bachelor of Business degree, is a Certified Practising Accountant and a Chartered Company Secretary.

## NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

King River has established a portfolio of 100% owned tenements covering approximately 769 square kilometres in the East Kimberley region in Western Australia ("Tenements"). The principal activities of the entities within the Group during the year were focusing on exploration and development of the Tenements in the East Kimberley region of Western Australia.

## OPERATIONS REPORT

Details of the company operations during the year are contained in the Quarterly Operations Reports and Exploration Update Reports lodged with the ASX. The most recent operations details are included in the Exploration Update lodged with the ASX on 4 August 2016.

The Company has built a very comprehensive dataset comprising airborne magnetics, ground based gravity, V-TEM, SAM and IP surveys, surface sampling (soils and rock chips), and some limited drilling. The company has continued exploration on its tenements during the year with focus on Gold-Silver-Copper exploration including drilling programmes. The focus of the 2016 exploration will be on the new geophysical (VTEM) basement conductor target identified in the north of the Speewah Dome. A drilling programme has been scheduled before the wet season.

# Directors Report



## INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares of the Company were

		Ordinary Shares	Options Over Ordinary Shares
Anthony Barton	Chairman	83,190,680 <sup>1</sup>	14,548,519 <sup>1</sup>
Leonid Charuckyj	Director	3,882,835 <sup>2</sup>	1,164,850 <sup>2</sup>
Greg MacMillan	Director	34,856,162 <sup>3</sup>	5,292,421 <sup>3</sup>
<b>Total</b>		<b>121,929,677</b>	<b>21,005,790</b>

<sup>1</sup> 21,817,018 of the shares and 5,200,001 options are held by Mr AP Barton and Mrs CH Barton as trustee for the Barton Family Superannuation Fund of which Mr Barton is a director and a beneficiary. 22,072,885 of the shares and 4,039,652 of the options are held by Australian Heritage Group Pty Ltd as trustee for the Australian Heritage Trust of which Mr Barton is a director and a beneficiary. 17,856,776 of the shares and 1,457,879 options are held by Inglewood Lodge Pty Ltd of which Mr Barton is a director and a beneficiary. 15,571,724 of the shares and 3,380,411 options are held by Barton & Barton Pty Ltd of which Mr Barton is a director. 3,485,1801 of the shares and 400,000 options are held by Universal Oil (Australia) Pty Ltd of which Mr Barton is a director and a beneficiary. 2,387,097 of the shares and 70,576 options are held by Harvey Springs Estate Pty Ltd of which Mr Barton is a director and a beneficiary.

<sup>2</sup> 2,558,801 of the shares and 767,640 options are held by Mr L Charuckyj & Mrs CM Charuckyj as trustee for the ZETA Super Fund of which Mr Charuckyj is a trustee and beneficiary. 1,173,335 of the shares and 352,000 options are held by Temtor Pty Ltd of which Mr Charuckyj is a director and beneficiary. 150,699 of the shares and 45,210 options are held by Mr L Charuckyj.

<sup>3</sup> 12,783,277 of the shares and 1,252,769 of the options are held by GDM Services Pty Ltd as trustee for the GDM Services Trust of which Mr MacMillan is a director and beneficiary. 22,072,885 of the shares and 4,039,652 of the options are held by Australian Heritage Group Pty Ltd as trustee for the Australian Heritage Trust of which Mr MacMillan is a director and beneficiary.

## CORPORATE STRUCTURE

King River is a company limited by shares that is incorporated and domiciled in Australia. King River has a fully owned subsidiary Speewah Mining Pty Ltd. The Group has prepared a consolidated financial report incorporating the entity that it controlled during the financial year, Speewah Mining Pty Ltd a 100% owned subsidiary.

## REVIEW OF CONSOLIDATED FINANCIAL CONDITION

The consolidated entity recorded an operating loss after income tax of \$187,202 (2015: \$252,984 loss). There was no dividend declared or paid during the year.

## CAPITAL STRUCTURE

As at the date of this report the Company had 550,913,554 fully paid ordinary shares. There were also 124,410,168 listed options over ordinary shares on issue and 5,550,000 unlisted options over ordinary shares on issue (3,800,000 as at 30 June 2015). Details of the terms of the options are outlined in Note 18 of the consolidated financial statements.

## CASH FROM OPERATIONS

The net cash outflow from operations was \$113,054 (2015: \$299,460). The cash balance at year end was \$473,372

LOSS PER SHARE	2016	2015	2014	2013	2012
Basic and diluted loss per share (cents)	(0.04)	(0.10)	(0.40)	(12.16)	(0.49)
Share price (cents)	0.007	0.029	0.12	0.060	0.110

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the following significant changes were made to the Company's equity:

- On the 26<sup>th</sup> November 2015, the Company issued 30,000,000 ordinary shares at 1 cent as part of a Placement and 82,754,704 ordinary shares at 1 cent as part of a pro-rata non-renounceable rights issue on the basis of 1 new share for every 1 share held.
- On 29 June 2016, the Company issued \$445,417 Exploration Development Incentive (EDI) tax credits to shareholders on a pro-rata basis which equated to 0.11 cents per share. The issue of the EDI tax credits resulted in a reduction of the Company carried forward tax losses of \$1,484,722.

# Directors Report



## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On the 7<sup>th</sup> July 2016, the Company announced a Share Purchase Plan for existing shareholders to be able to purchase up to \$15,000 worth of additional shares at a discounted price of \$0.0062. On 3<sup>rd</sup> August 2016, the company announced the completion of the Share Purchase Plan which raised \$788,230 from the issue of 127,133,897 shares at \$0.0062 cent per share. Other than this there were no significant events following the balance date that affected the company's equity or state of affairs.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity's current focus is on exploration of its Copper / Gold prospects referred to in the Operations Report.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's environmental obligations are regulated under both State and Federal law. All environmental performance obligations are monitored by the Board and subjected from time to time to Government agency audits and site inspections. The consolidated entity has a policy of at least complying with, but in most cases exceeding, its statutory environmental performance obligations. No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2016.

## SHARES UNDER OPTION

As at the date of this report, there were 129,960,168 unissued ordinary shares under granted options.

Date Options Granted	Expiry Date	Issue Price of Shares	Number Under Option
6-Dec-2012	30-Nov-2017	\$0.10	1,250,000
7-May-2014	30-June-2019	\$0.20	1,350,000
25-June-2014	30-June-2019	\$0.20	1,200,000
21-July-2015	30-June-2018	\$0.10	124,410,168
21-July-2015	30-November-2018	\$0.10	1,750,000
			<b>129,960,168</b>

## SHARES ISSUED ON EXERCISE OF OPTIONS

During or since the end of the financial year, there were no options exercised. Refer to Note 18 of the consolidated financial statements for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any issue of the Company or any related body corporate.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Director and Officer Protection Deeds ("D&O Deed") with each Director and the Company Secretary ("Officers"). Under the D&O Deed, the Company indemnifies the Officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the Officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the D&O Deed.

Also pursuant to the D&O Deed, the Company must insure the Officers against liability and provide access to all board papers relevant to defending any claim brought against the Officers in their capacity as officers of the Company. The Company has paid insurance premiums of \$6,300 (2015: \$7,400) in respect of liability for any current and future directors, company secretary, executives and employees of the Company. This amount is payable in total and no specific amount is included in the directors' remuneration.

## ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest dollar.

**REMUNERATION REPORT (AUDITED)**

This report details the nature and amount of remuneration for each director of King River Copper Limited, and for the executives in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the company and the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the group, directly or indirectly, including any director (whether executive or otherwise) and company secretary of the company, and includes two executives in the group.

For the purposes of this report, the term “executive” encompasses the chief executive and senior executives of the company.

Details of key management personnel

- (i) *Directors*
  - A Barton                                      Chairman
  - L Charuckyj                                    Director
  - G MacMillan                                   Director / Company Secretary
- (ii) *Executives*
  - K Rogers                                      Chief Geologist
  - A Chapman                                    Project Geologist

Other than as detailed above there are no other Executives of the Company.

**1. Remuneration Committee**

The Remuneration Committee of the Board of Directors of King River is responsible for determining and reviewing compensation arrangements for the directors and executives. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

**2. Remuneration Policy**

The Company's remuneration policies are reflected in the Charter of the Remuneration Committee. It is the Company's objective to provide maximum stakeholder benefit from the retention of high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Company's remuneration policy is to establish competitive remuneration (including performance incentives) consistent with long term development and success, to ensure remuneration is fair and reasonable (taking into account all relevant factors, and within appropriate controls or limits) that performance and remuneration are appropriately linked, that all remuneration packages are reviewed annually or on an ongoing basis in accordance with management's remuneration packages, and that retirement benefits or termination payments (other than notice periods) will not be provided or agreed other than in exceptional circumstances.

It is the Company's objective that the remuneration policy aligns with achievement of strategic objectives and creation of long term value for shareholders. The Company does not use specific performance hurdles or conditions in determining remuneration or short term rewards. The Company assesses each employee annually based upon the individual performance in carrying out the agreed responsibilities of the employee which have been developed in consideration of the Company's long term goals. The performance incentive component is reflected as part of the increase in salary and the issue of equity based compensation for each employee on an annual basis.

The Company does not have a formal policy to prohibit executives from entering into arrangements to protect the value of unvested long term incentive awards.

**3. Non Executive Director Remuneration**

**3.1 Fixed Remuneration**

The aggregate remuneration to non executive directors will not exceed the maximum approved amount of \$150,000. The board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable by shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers fees paid to non executive directors of comparable companies when undertaking the annual review as well as additional time commitment of directors who serve on one or more sub committees and assistance to the Company with new investment opportunities. Each of the non executive directors during the financial year received a salary of \$40,000 per annum plus superannuation. Non executive directors are encouraged to hold shares in the Company; these are to be purchased by the director on market. It is considered good corporate governance for directors to have a stake in the company on whose board he or she sits.

Remuneration of non executive directors for the year ended 30 June 2016 is disclosed in Table 1 under the remuneration section of this report.

### **3.2 Variable Remuneration – Short Term Incentives**

Non executive directors do not receive performance based bonuses or additional remuneration for their membership of subsidiary boards or committees.

### **3.3 Variable Remuneration – Long Term Incentives**

During the financial year, the Company had no contractual obligations to provide long term incentives to non executive directors.

## **4. Executive Director Remuneration**

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company so as to:

- reward executives for company and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Executive remuneration comprises of:

- base pay and benefits; and
- long term incentives through equity based compensation.

### **4.1 Fixed Remuneration**

#### *Base pay and benefits*

Base pay is structured as a total employment cost package that may be delivered as combination of cash and salary sacrifice superannuation at the executive's discretion.

Executives are offered a competitive base pay. Reference is made to industry benchmarks to ensure that the base pay is set to reflect the market for a comparable role. Base pay is reviewed annually, or upon promotion, to ensure the executive's pay is competitive with comparable positions of responsibility. There is no guaranteed base pay increases for any executive contract.

### **4.2 Variable Remuneration – Long Term Incentives**

During the financial year the Company had no contractual obligations to provide long term incentives to the executive director.

### **4.3 Employment Contracts – Executives - Ken Rogers (Chief Geologist), Andrew Chapman (Project Geologist)**

The Company had entered into employment agreements with Messer's Rogers and Chapman for the provision of technical geological services based on daily rates for the provision of services. Their services could be terminated by giving a 2 week notice by either party.



# Directors Report



## 5. Remuneration of Key Management Personnel and Executives of the Company

Details of the remuneration of each director of King River, each of the executives of the Company and the consolidated entity for the year ended 30 June 2016 are set out in the following tables.

**Table 1: Remuneration for the year ended 30 June 2016**

30 June 2016	Short	Post	Share Based		Total	Options as % of Total
	Term	Employment	Payments			
	Salary & Fees	Superannuation	Options	Shares		
	\$	\$	\$	\$	\$	%
<b>Directors</b>						
A Barton	43,800	-	-	-	43,800	-
L Charuckyj	43,800	-	-	-	43,800	-
G MacMillan	40,000	3,800	-	-	43,800	-
<b>Sub Total<sup>1</sup></b>	<b>127,600</b>	<b>3,800</b>	<b>-</b>	<b>-</b>	<b>131,400</b>	<b>-</b>
<b>Executives</b>						
K Rogers	60,000	5,700	4,567	-	70,267	6
A Chapman	92,895	-	9,133	-	102,028	9
<b>Sub Total</b>	<b>152,895</b>	<b>5,700</b>	<b>13,700</b>	<b>-</b>	<b>172,295</b>	<b>-</b>
<b>Total</b>	<b>280,495</b>	<b>9,500</b>	<b>13,700</b>	<b>-</b>	<b>303,695</b>	<b>-</b>

1. Premium for Director's liability insurance is not included in remuneration table.

Other than disclosed in the table above no director or executive received any compensation in the financial year ended 30 June 2016. None of the remuneration for directors or executives was performance related.

**Table 2: Remuneration for the year ended 30 June 2015**

30 June 2015	Short	Post	Share Based		Total	Options as % of Total
	Term	Employment	Payments			
	Salary & Fees	Superannuation	Options	Shares		
	\$	\$	\$	\$	\$	%
<b>Directors</b>						
A Barton	43,600	-	-	-	43,600	-
L Charuckyj	43,600	-	-	-	43,600	-
G MacMillan	40,000	3,600	-	-	43,600	-
D Carew-Hopkins (Resigned 2/07/14)	-	-	-	-	-	-
<b>Sub Total<sup>1</sup></b>	<b>127,200</b>	<b>3,600</b>	<b>-</b>	<b>-</b>	<b>130,800</b>	<b>-</b>
<b>Executives</b>						
K Rogers	60,000	5,675	-	-	65,675	-
A Chapman	137,382	-	-	-	137,382	-
<b>Sub Total</b>	<b>197,382</b>	<b>5,675</b>	<b>-</b>	<b>-</b>	<b>203,057</b>	<b>-</b>
<b>Total</b>	<b>324,582</b>	<b>9,275</b>	<b>-</b>	<b>-</b>	<b>333,857</b>	<b>-</b>

1. Premium for Director's liability insurance is not included in remuneration table.

Other than disclosed in the table above no director or executive received any compensation in the financial year ended 30 June 2015. None of the remuneration for directors or executives was performance related.

# Directors Report



## 5.1 Equity Based Compensation – Options 2016

During the year unlisted options exercisable at \$0.10 on or before 30 November 2018 were issued to executives of the Company. 500,000 options were issued to Ken Rogers and 1,000,000 to Andrew Chapman. The options were issued as an alternate remuneration to cash, to provide industry competitive remuneration rates and to encourage long term relationships with the Company. These options all vested on date of issue.

**Table 1: Compensation Options Granted during the year ended 30 June 2016**

30 June 2016	Granted No.	Grant Date	Fair Value Grant (\$)	Exercise Price (\$)	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	Vested %
<b>Directors</b>									
A Barton	-	-	-	-	-	-	-	-	-
L Charuckyj	-	-	-	-	-	-	-	-	-
G MacMillan	-	-	-	-	-	-	-	-	-
<b>Executives</b>									
K Rogers	500,000	21-July-15	\$0.009	\$0.10	30-Nov-18	21-July-15	30-Nov-18	500,000	100
A Chapman	1,000,000	21-July-15	\$0.009	\$0.10	30-Nov-18	21-July-15	30-Nov-18	1,000,000	100
<b>Total</b>	<b>1,500,000</b>							<b>1,500,000</b>	

There were no alterations to options terms since grant date and no options were forfeited. Further details of the options are contained in Note 18.

30 June 2016	Value of Options Granted (\$)	Value of Options Exercised (\$)	Value of Options Expired (\$)
<b>Directors</b>			
A Barton	-	-	-
Leonid Charuckyj	-	-	-
G MacMillan	-	-	-
<b>Executives</b>			
K Rogers	4,567	-	-
A Chapman	9,133	-	-
<b>Total</b>	<b>13,700</b>	<b>-</b>	<b>-</b>

Other than as detailed above, no Directors or executives were issued compensation options or had compensation options outstanding in the financial year ended 30 June 2016.

**Table 2: Compensation Options Holdings of Key Management Personnel during the year ended 30 June 2016**

30 June 2016	Balance at Beginning of Period 1 July 2015	Granted as Remuneration	Options Exercised	Net Change Other	Balance at End of Period 30 June 2016	Vested at 30 June 2016		
						Total	Not Exercisable	Exercisable
<b>Directors</b>								
A Barton	600,000	-	-	-	600,000	600,000	-	600,000
L Charuckyj	300,000	-	-	-	300,000	300,000	-	300,000
G MacMillan	300,000	-	-	-	300,000	300,000	-	300,000
<b>Executives</b>								
K Rogers	550,000	500,000	-	-	1,050,000	1,050,000	-	1,050,000
A Chapman	1,600,000	1,000,000	-	-	2,600,000	2,600,000	-	2,600,000
<b>Total</b>	<b>3,350,000</b>	<b>1,500,000</b>	<b>-</b>	<b>-</b>	<b>4,850,000</b>	<b>4,850,000</b>	<b>-</b>	<b>4,850,000</b>

# Directors Report



## 5.2 Equity Based Compensation – Options 2015

During the year no unlisted options were issued to directors or employees as an alternate remuneration to cash.

**Table 1: Compensation Options Granted during the year ended 30 June 2015**

30 June 2015	Granted No.	Grant Date	Fair Value Grant Date (\$)	Exercise Price (\$)	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	Vested %
<b>Directors</b>									
A Barton	-	-	-	-	-	-	-	-	-
Leonid Charuckyj	-	-	-	-	-	-	-	-	-
G MacMillan	-	-	-	-	-	-	-	-	-
D Carew-Hopkins (Resigned 2/07/14)	-	-	-	-	-	-	-	-	-
<b>Executives</b>									
K Rogers	-	-	-	-	-	-	-	-	-
A Chapman	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>							<b>-</b>	

30 June 2015	Value of Options Granted (\$)	Value of Options Exercised (\$)	Value of Options Expired (\$)
<b>Directors</b>			
A Barton	-	-	13,410
Leonid Charuckyj	-	-	8,046
G MacMillan	-	-	8,046
D Carew-Hopkins	-	-	8,046
<b>Executives</b>			
K Rogers	-	-	8,046
A Chapman	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>45,594</b>

Other than as detailed above, no Directors or executives were issued compensation options or had compensation options outstanding in the financial year ended 30 June 2015.

**Table 2: Compensation Options Holdings of Key Management Personnel during the year ended 30 June 2015**

30 June 2015	Balance at Beginning of Period 1 July 2014	Granted as Remuneration	Options Exercised	Net Change Other	Balance at End of Period 30 June 2015	Vested at 30 June 2015		
						Total	Not Exercisable	Exercisable
<b>Directors</b>								
A Barton	1,850,000	-	-	(1,250,000)	600,000	600,000	200,000	400,000
L Charuckyj	1,050,000	-	-	(750,000)	300,000	300,000	100,000	200,000
G MacMillan	1,050,000	-	-	(750,000)	300,000	300,000	100,000	200,000
D Carew-Hopkins (Resigned 2/07/14)	1,050,000	-	-	(750,000)	300,000	300,000	100,000	200,000
<b>Executives</b>								
K Rogers	1,300,000	-	-	(750,000)	550,000	550,000	100,000	450,000
A Chapman	1,600,000	-	-	-	1,600,000	1,600,000	200,000	1,400,000
<b>Total</b>	<b>7,900,000</b>	<b>-</b>	<b>-</b>	<b>(4,250,000)</b>	<b>3,650,000</b>	<b>3,650,000</b>	<b>800,000</b>	<b>2,850,000</b>

# Directors Report



## 5.3. Equity Based Compensation – Shares 2016

**Table 1: Shareholdings of Key Management Personnel during the year ended 30 June 2016**

	Balance 1 July 2015	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2016
30 June 2016	Ord	Ord	Ord	Ord	Ord
<b>Directors</b>					
A Barton <sup>1</sup>	36,371,285	-	-	12,303,759	48,675,044
L Charuckyj <sup>2</sup>	2,912,124	-	-	970,711	3,882,835
G MacMillan <sup>3</sup>	13,231,044	-	-	4,410,350	17,641,394
D Carew-Hopkins (Resigned 2/07/14) <sup>4</sup>	700,000	-	-	(700,000)	-
<b>Executives</b>					
K Rogers	459,536	-	-	153,179	612,715
A Chapman	-	-	-	-	-
<b>Total</b>	<b>53,673,989</b>	<b>-</b>	<b>-</b>	<b>17,137,999</b>	<b>70,811,988</b>

<sup>1</sup> 17,513,326 of the shares are held by Mr AP Barton and Mrs CH Barton as trustee for the Barton Family Superannuation Fund of which Mr Barton is a director and a beneficiary. 13,465,501 of the shares are held by Australian Heritage Group Pty Ltd as trustee for the Australian Heritage Trust of which Mr Barton is a director and a beneficiary. 4,859,596 of the shares are held by Inglewood Lodge Pty Ltd of which Mr Barton is a director and a beneficiary. 11,268,036 of the shares are held by Barton & Barton Pty Ltd of which Mr Barton is a director. 1,333,334 of the shares are held by Universal Oil (Australia) Pty Ltd of which Mr Barton is a director and a beneficiary. 235,251 of the shares are held by Harvey Springs Estate Pty Ltd of which Mr Barton is a director and a beneficiary.

<sup>2</sup> 2,558,801 of the shares are held by Mr L Charuckyj & Mrs CM Charuckyj as trustee for the ZETA Super Fund of which Mr Charuckyj is a trustee and beneficiary. 1,173,335 of the shares are held by Temtor Pty Ltd of which Mr Charuckyj is a director and beneficiary. 150,699 of the shares are held by Mr L Charuckyj.

<sup>3</sup> 4,175,893 of the shares are held by GDM Services Pty Ltd as trustee for the GDM Services Trust of which Mr MacMillan is a director and beneficiary. 13,465,501 of the shares are held by Australian Heritage Group Pty Ltd as trustee for the Australian Heritage Trust of which Mr MacMillan is a director and beneficiary.

<sup>4</sup> D Carew-Hopkins resigned on 2/07/14.

**Table 2: Shareholdings of Key Management Personnel during the year ended 30 June 2015**

	Balance 1 July 2014	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2015
30 June 2015	Ord	Ord	Ord	Ord <sup>4</sup>	Ord
<b>Directors</b>					
A Barton <sup>1</sup>	14,879,768	-	-	21,491,517	36,371,285
L Charuckyj <sup>2</sup>	1,456,062	-	-	1,456,062	2,912,124
G MacMillan <sup>3</sup>	7,976,516	-	-	5,254,528	13,231,044
D Carew-Hopkins (Resigned 2/07/14)	1,000,000	-	-	(300,000)	700,000
<b>Executives</b>					
K Rogers	229,768	-	-	229,768	459,536
A Chapman	-	-	-	-	-
<b>Total</b>	<b>25,542,114</b>	<b>-</b>	<b>-</b>	<b>28,131,875</b>	<b>53,673,989</b>

<sup>1</sup> 13,000,000 of the Shares are held by Mr AP Barton and Mrs CH Barton as trustee for the Barton Family Superannuation Fund of which Mr Barton is a director and a beneficiary. 10,099,125 of the Shares are held by Australian Heritage Group Pty Ltd as trustee for the Australian Heritage Trust of which Mr Barton is a director and a beneficiary. 3,644,696 of the Shares are held by Inglewood Lodge Pty Ltd of which Mr Barton is a director and a beneficiary. 8,451,026 of the Shares are held by Barton & Barton Pty Ltd of which Mr Barton is a director. 1,000,000 of the Shares are held by Universal Oil (Australia) Pty Ltd of which Mr

# Directors Report



Barton is a director and a beneficiary. 176,438 of the Shares are held by Harvey Springs Estate Pty Ltd of which Mr Barton is a director and a beneficiary.

<sup>2</sup> 1,919,100 of the Shares are held by Mr L Charuckyj & Mrs CM Charuckyj as trustee for the ZETA Super Fund of which Mr Charuckyj is a trustee and beneficiary. 880,000 of the Shares are held by Temtor Pty Ltd of which Mr Charuckyj is a director and beneficiary. 113,024 of the Shares are held by Mr L Charuckyj.

<sup>3</sup> 3,131,919 of the Shares are held by GDM Services Pty Ltd as trustee for the GDM Services Trust of which Mr MacMillan is a director and beneficiary. 10,099,125 of the Shares are held by Australian Heritage Group Pty Ltd as trustee for the Australian Heritage Trust of which Mr MacMillan is a director and beneficiary.

## 5.4 Related Party Transactions

All equity transactions with key management personnel have been entered into at arm's length.

Australian Heritage Group Pty Ltd ("AHG"), a company of which Mr Anthony Barton, a Director and Mr Greg MacMillan, a Director and the Company Secretary, have entered into an occupancy and administration agreement with King River Copper in respect of providing occupancy, administration and bookkeeping services commencing March 2009. The total value of the occupancy and administration services provided by AHG during the year was \$77,623 (2015: \$82,200). As at 30<sup>th</sup> June 2016, there was an amount of \$30,140 outstanding to pay AHG. This amount is included in Note 15. All services provided by companies associated with directors were provided on commercial terms.

Mr Anthony Barton, a Director of the Company also purchased 179,992 King River Copper shares, received a rights issue of 12,123,767 shares as part of the 26<sup>th</sup> November 2015 Rights Issue as per Note 16(a) for a total consideration of \$122,053 in arm's length transactions on market during the year at market rates. Mr Barton received 14,548,519 listed options as part of the bonus options issue on 21<sup>st</sup> July 2015 as per Note 16(a) for nil consideration.

Mr Leonid Charuckyj received 970,711 shares for a total consideration of \$9,707 as part of the 26<sup>th</sup> November 2015 rights issue. Mr Charuckyj received 1,164,850 listed options as part of the bonus options issue on 21<sup>st</sup> July 2015 as per Note 16(a) for nil consideration.

Mr Greg MacMillan received 4,410,350 shares for a total consideration of \$44,104 as part of the 26<sup>th</sup> November 2015 rights issue. Mr MacMillan received 5,292,421 listed options as part of the bonus options issue on 21<sup>st</sup> July 2015 as per Note 16(a) for nil consideration.

## End of Remuneration Report

### DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors <sup>1</sup> Meetings	Audit <sup>1</sup> Committee Meeting	Nomination <sup>2</sup> Committee Meeting	Remuneration <sup>2</sup> Committee Meeting
<b>Number of Meetings Held</b>	-	2	-	-
<b>Number of Meetings Attended</b>				
Anthony Barton	-	2	-	-
Leonid Charuckyj	-	-	-	-
Greg MacMillan	-	2	-	-

1. During the year the Directors approved 6 circular resolutions which were signed by all Directors of the Company

2. Committee is made up of the full Board. Reference to meeting refers to meeting conducted specifically to deal with the particular business of that Committee.

### COMMITTEE MEMBERSHIP

The role of the Audit, Remuneration and Nomination Committees is carried out by the full Board in accordance with the appropriate charters. The Board considers that no efficiencies or benefits would be gained by establishing separate committees.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of King River support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this annual report.

# Directors Report

## **INDEMNIFICATION OF AUDITORS**

To the extent permitted by law and professional regulations, the Company has agreed to indemnify its auditors, Ernst & Young, 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.

## **AUDITOR INDEPENDENCE**

Section 370C of the Corporation Act 2001 requires our auditors, Ernst & Young, to provide the directors of the Company with an Independence Declaration in relation to the audit of the consolidated financial report. This Independence Declaration is disclosed on page 15 of this report and forms part of this directors' report for the year ended 30 June 2016.

## **NON AUDIT SERVICES**

The Company's auditors, Ernst & Young, provided no non audit services during the year ended 30 June 2016.

## **TAX CONSOLIDATION**

The Company and its subsidiary form a tax consolidated group.

Signed in accordance with a resolution of the directors.



Greg MacMillan  
Director

16 August 2016

## Auditor's Independence Declaration to the Directors of King River Copper Limited

As lead auditor for the audit of King River Copper Limited for the year ended 30 June 2016, 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 King River Copper Limited and the entities it controlled during the financial period.



Ernst & Young



P Teale  
Partner  
18 August 2016

# Directors' Declaration

In accordance with a resolution of the directors of King River Copper Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30<sup>th</sup> June 2016 and of its performance for the year ended on that date; and

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

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, subject to the matters set out in Note 2(e) to the financial report; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30<sup>th</sup> June 2016.

On behalf of the Board



Greg MacMillan  
Director

16 August 2016



# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016



	Notes	Consolidated	
		2016 \$	2015 \$
Revenue	6(a)	790	4,150
Other income	6(b)	342,093	317,556
Directors' and employee benefits expenses	6(c)	(147,382)	(130,800)
Compliance costs		(113,824)	(136,996)
Insurance		(15,826)	(16,996)
Other administration expenses	6(d)	(253,053)	(289,898)
<b>Loss before income tax expense</b>		<b>(187,202)</b>	<b>(252,984)</b>
Income tax benefit	7	-	-
<b>Net loss for the year after tax</b>		<b>(187,202)</b>	<b>(252,984)</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Loss for the Year</b>		<b>(187,202)</b>	<b>(252,984)</b>
<b>Total Comprehensive Loss for the Year is attributable to:</b>			
Owners of King River Copper Limited		(187,202)	(252,984)
		<b>(187,202)</b>	<b>(252,984)</b>
<b>Loss per share</b>			
Basic loss per share (cents per share)	9	(0.04)	(0.10)
Diluted loss per share (cents per share)	9	(0.04)	(0.10)

The accompanying notes form part of these consolidated financial statements.

# Statement of Financial Position

AS AT 30 JUNE 2016



	Notes	Consolidated	
		2016 \$	2015 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	473,372	879,750
Trade and other receivables	11	23,749	94,335
Prepayments		-	50,000
<b>Total Current Assets</b>		<b>497,121</b>	<b>1,024,085</b>
<b>Non Current Assets</b>			
Deferred exploration expenditure	14	8,690,973	7,472,047
Plant and Equipment	13	44,828	8,009
Other financial assets	12	-	46,671
<b>Total Non Current Assets</b>		<b>8,735,801</b>	<b>7,526,727</b>
<b>Total Assets</b>		<b>9,232,922</b>	<b>8,550,812</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	146,567	393,852
<b>Total Current Liabilities</b>		<b>146,567</b>	<b>393,852</b>
<b>Total Liabilities</b>		<b>146,567</b>	<b>393,852</b>
<b>Net Assets</b>		<b>9,086,355</b>	<b>8,156,960</b>
<b>Equity</b>			
Issued capital	16(a)	28,367,307	27,266,692
Reserves	16(b)	1,526,412	1,510,429
Accumulated losses		(20,807,364)	(20,620,161)
<b>Total Equity</b>		<b>9,086,355</b>	<b>8,156,960</b>

The accompanying notes form part of these consolidated financial statements.

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016



	Notes	Consolidated	
		2016	2015
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Interest received		790	2,719
Research & Development Tax Rebate		342,093	317,556
Payments to suppliers and employees		(455,938)	(619,735)
Net cash from / (used in) in operating activities	10	(113,055)	(299,460)
<b>Cash Flows from Investing Activities</b>			
Payment for exploration and evaluation		(1,403,791)	(2,312,507)
Payment for Property, Plant & Equipment		(36,818)	-
Refund of Security Deposits		46,671	-
Net cash used in investing activities		(1,393,938)	(2,312,507)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		1,127,547	2,330,733
Payment of share issue costs		(26,932)	(74,944)
Net cash from financing activities		1,100,615	2,255,789
Net increase / (decrease) in cash and cash equivalents		(406,378)	(356,178)
Cash and cash equivalents at beginning of year		879,750	1,235,928
<b>Cash and Cash Equivalents at end of year</b>	10	<b>473,372</b>	<b>879,750</b>

The accompanying notes form part of these consolidated financial statements.

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016



<b>Consolidated</b>	<b>Issued Capital</b>	<b>Equity Benefits Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	\$	\$	\$	\$
<b>At 1 July 2014</b>	24,960,903	1,510,429	(20,367,177)	6,104,155
Loss for the year	-	-	(252,984)	(252,984)
<b>Total comprehensive income/loss for the year</b>	-	-	(252,984)	(252,984)
<b>Transaction with owners in their capacity as owners:</b>				
Issue of Share Capital – 2 <sup>nd</sup> July 2014	48,000	-	-	48,000
Issue of Share Capital – 29 <sup>th</sup> September 14	620,820	-	-	620,820
Issue of Share Capital – 31 <sup>st</sup> October 14	279,180	-	-	279,180
Issue of Share Capital – 19 <sup>th</sup> December 14	69,385	-	-	69,385
Capital Raising Fees net of tax	(61,482)	-	-	(61,482)
Issue of Share Capital – 17 <sup>th</sup> March 15	1,313,349	-	-	1,313,349
Capital Raising Fees net of tax	(13,462)	-	-	(13,462)
Issue of Share Capital – 25 <sup>th</sup> June 15	50,000	-	-	50,000
<b>Balance at 30 June 2015</b>	<b>27,266,693</b>	<b>1,510,429</b>	<b>(20,620,161)</b>	<b>8,156,961</b>
<b>At 1 July 2015</b>	27,266,692	1,510,429	(20,620,161)	8,156,960
Loss for the year	-	-	(187,203)	(187,203)
<b>Total comprehensive income/loss for the year</b>	-	-	(187,203)	(187,203)
<b>Transaction with owners in their capacity as owners:</b>				
Share Based Payments – 21 <sup>st</sup> July 15	-	15,983	-	15,983
Issue of Share Capital – 26 <sup>th</sup> November 15: Placement	300,000	-	-	300,000
Issue of Share Capital – 26 <sup>th</sup> November 15: Rights Issue	827,547	-	-	827,547
Capital Raising Fees net of tax	(26,932)	-	-	(26,932)
<b>Balance at 30 June 2016</b>	<b>28,367,307</b>	<b>1,526,412</b>	<b>(20,807,364)</b>	<b>9,086,355</b>

The accompanying notes form part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



## 1. CORPORATE INFORMATION

King River Copper ("King River" or "the Company") is a company domiciled in Australia and publicly listed on the Australian Stock Exchange (ASX). The Company was incorporated on 28 May 2002. The address of the Company's registered office is 254 Adelaide Tce, Perth WA 6000. The consolidated financial statements as at and for the year ended 30 June 2016 comprise the Company and its subsidiary (the "Group"). The nature of the operations and principal activities of the Group are described in the Directors' Report.

The consolidated financial report was authorised for issue by the directors on the 15 August 2016 in accordance with a resolution of the directors.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) and the Corporations Act 2001. The consolidated financial report also complies with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB). The statement of compliance with International Financial Reporting Standards in accordance with AASB 101.

### (b) Basis of measurement

Unless stated otherwise, the consolidated financial statements have been prepared on the historical cost basis.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### (e) Going Concern Basis of Preparation

The Group incurred a net loss after income tax of \$187,203 for the year ended 30 June 2016 (2015: \$252,984) and a net cash outflow of \$406,377 (2015:\$356,178). As at 30 June 2016 the Group had cash and cash equivalents of \$473,372 (2015: \$879,750) and a working capital surplus of \$350,554 (2015: \$630,233 surplus). The Group's available cash on 9 August 2016 amounted to \$1,114,869.

The Group will require further funding during the next 12 months in order to meet day to day obligations as they fall due and to progress its exploration projects. Based on the Group's cash flow forecast the Board of Directors is aware of the Group's need to access additional working capital in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration interests.

The directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on the following pertinent matters:

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements;
- The Group retains the ability, if required, to wholly or in part dispose of interests in mineral exploration assets.
- The directors regularly monitor the Group's cash position and, on an on-going basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available.
- The Directors have determined that future equity raisings will be required to provide funding for the Group's activities and to meet the Group's objectives.
- The Directors believe that future funding will be available to meet the Group's objectives and debts as and when they fall due.

Should the Group not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

**(f) Changes in accounting policies**

From 1 July 2015 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2015 applicable to the group. The application of these Standards and Interpretations' does not have any material impact on the financial position or performance of the Group.

Reference	Summary	Application Date for Group
AASB 2015-3	<p><b>Materiality</b></p> <p>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i>. The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.</p>	1 July 2015
AASB 2013-9	<p><b>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</b></p> <p>The Standard contains three main parts and makes amendments to a number of Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 "Hedge Accounting" into AASB 9</p>	1 July 2015

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the annual reporting period ending 30 June 2016.

The group has reviewed these standards and interpretations, the potential effect of these standards and interpretations is yet to be fully determined. These are outlined in the following table;

AASB 9	<p>AASB 9 (December 2014) is a new standard <b>which replaces AASB 139</b>. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p><b>Financial assets</b></p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or</li> </ol>	1 July 2018
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# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



	<p>recognising the gains and losses on them, on different bases.</p> <p><b>Financial liabilities</b></p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) if doing so will not create an accounting mismatch.</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p><b>Impairment</b></p> <p><b>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis if there is a significant increase in credit risk since initial recognition.</b></p> <p><b>Hedge accounting</b></p> <p>Amendments to AASB 9 (December 2009 &amp; 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 - Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after <b>1 January 2015</b>.</p>	
AASB 2014-4	<p><b>AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets</b> 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.</p> <p>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.</p> <p>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.</p>	1 July 2016
AASB 1057	<p>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.</p> <p>The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.</p>	1 July 2016
AASB 2015-2	<p>The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> 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</p>	1 July 2016

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



	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.	
2016-2	This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 July 2017
AASB 2016-5	This standard amends AASB 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment transactions. The amendments address: <ul style="list-style-type: none"> <li>▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>▶ Classification of Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>▶ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</li> </ul>	1 July 2018
AASB 16	The key features of AASB 16 are as follows: <p><b>Lessee accounting</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.</li> <li>• Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease 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.</li> <li>• AASB 16 contains disclosure requirements for lessees.</li> </ul> <p><b>Lessor accounting</b></p> <ul style="list-style-type: none"> <li>• AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>• AASB 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.</li> </ul> <p>AASB 16 supersedes:</p> <ol style="list-style-type: none"> <li>(a) AASB 117 Leases</li> <li>(b) Interpretation 4 Determining whether an Arrangement contains a Lease</li> <li>(c) SIC-15 Operating Leases – Incentives</li> <li>(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</li> </ol> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>	1 July 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Principles of Consolidation

The consolidated financial report comprises the financial statements of King River Copper Limited and its controlled entity (the "Group" or "consolidated entity"). King River Copper Limited's controlled entity is the wholly owned company Speewah Mining Pty Ltd. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with its investee and has ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has;

- Power over the investee (eg, existing rights that give it the current ability to direct the relevant activities of the investee)



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.
- 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 The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- 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 statement of comprehensive income 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 (OCI) 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 inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained, or until the date control ceased. There are no minority interests in the equity of the controlled entity.

## **(b) Income Tax and Other Taxes**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each financial year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



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

#### *Tax consolidation legislation*

The Company and its' subsidiary have formed a tax consolidated group. The consolidated financial statements have been prepared on this basis of the formation of a consolidated group.

The Company and its' subsidiary have implemented the tax consolidation legislation as of 1 July 2004.

The head entity, King River and the subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, King River also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

#### **(c) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

#### **(d) Plant and Equipment**

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

#### *Plant and Equipment*

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

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

#### *Impairment*

Carrying values of assets are reviewed at each financial year end to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part.

Where an asset does not generate cash flows that are largely independent it is assigned to cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

Recoverable amount is determined as the greater of fair value less costs to sell and value in use. The assessment of value in use considers the present value of future cash flows discounted using an appropriate pre tax discount rate reflecting the current market assessments of the time value of money and risks specific to the asset.

An impairment exists if the carrying value of the asset is determined to be in excess of its recoverable amount, in which case the asset or cash generating unit is written down to its recoverable amount.

#### *Depreciation*

The depreciable amount of plant and equipment is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	10-50%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

#### **(e) Financial Assets**

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



Other financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

## *Recognition and Derecognition*

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

### *(i) Financial assets carried at fair value*

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

### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

### **(f) Shares in controlled entities**

Investments in controlled entities are measured at cost. The Company assesses whether it is necessary to recognise any impairment loss in the investment in subsidiaries following any significant changes in the underlying assets or operations of the relevant subsidiary.

### **(g) Exploration and Evaluation Expenditure**

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

## *Impairment*

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

### **(h) Provision for restoration, rehabilitation and environmental expenditures**

The Group is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation program, discounted to its net present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit or loss on a prospective basis over the remaining life of the operation.

## **(i) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## **(j) Trade and Other Payables**

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

## **(k) Provisions**

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

## **(l) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. Interest revenue is recognised as interest accrues using the effective interest method.

## **(m) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

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

## **(n) Share Based Payment Transactions**

### *Equity settled transactions*

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

The cost of these equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of shares is determined by the price on grant date and of options using the Black & Scholes model, further details of which are given in Note 18. In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of King River (market conditions) if applicable.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

## **(o) Employee Benefits**

### *Wages, salaries and annual leave*

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

### *Long service leave*

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

## **(p) 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.

## **(q) Earnings Per Share**

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

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

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. Losses have an anti-dilutive effect. Therefore the basic and diluted earnings for the current and prior period have remained the same.

## **(r) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### *(i) Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

### (a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### (i) *Determination of mineral resources and ore reserves*

The Group's policy for estimating its mineral resources and ore reserves requires that the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code') be used as a minimum standard.

The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

#### (ii) *Capitalisation of exploration and evaluation expenditure*

Under AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group has the option to either expense exploration and evaluation expenditure as incurred, or to capitalise such expenditure (provided certain conditions are satisfied). The Group has elected, when the conditions in AASB 6 are met, to capitalise these costs.

#### (iii) *Determination of Exploration and evaluation expenditure area of interest;*

King River Copper's accounting policy for exploration and evaluation expenditure results in expenditure being capitalised in relation to an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates as to future events and circumstances, in particular whether an economically viable extraction operation can be established and judgements as to which areas of tenure comprise the area of interest. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to profit and loss.

### (b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities with the next annual reporting period are:

#### (i) *Share based payment transactions*

The Group measures the cost of equity settled transactions with employees and suppliers by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions detailed in Note 18. The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of the assets and liabilities within the next annual reporting period but may impact income and expenses.

#### (ii) *Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

#### (iii) *Provision for decommissioning and restoration costs*

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation. The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



## 5. PARENT ENTITY INFORMATION

	Parent	
	2016	2015
	\$	\$
Current Assets	395,559	804,334
Non-current Assets	8,612,983	7,227,210
<b>Total Assets</b>	<b>9,008,542</b>	<b>8,031,544</b>
Current Liabilities	132,991	83,309
Non-current Liabilities	-	-
<b>Total Liabilities</b>	<b>132,991</b>	<b>83,309</b>
Contributed Equity	28,367,307	27,266,692
Accumulated Losses	(21,018,168)	(20,828,886)
Option Reserve	1,526,412	1,510,429
<b>Total Equity</b>	<b>8,875,551</b>	<b>7,948,235</b>
Profit / (Loss) for the year	(184,666)	(250,517)
<b>Total Comprehensive loss for the year</b>	<b>(184,666)</b>	<b>(250,517)</b>

	Consolidated	
	2016	2015
	\$	\$

## 6. REVENUES AND EXPENSES

### (a) Revenue

Interest	790	4,150
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### (b) Other Income

Research & Development Tax Rebate	342,093	317,556
	<b>342,093</b>	<b>317,556</b>

The Research and Development Tax Rebate (R&D) is a tax incentive that provides a 45% refundable tax offset for eligible R&D expenditure.

### (c) Expenses

Depreciation - plant and equipment	-	-
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Directors' and employee benefits expenses:

- wages and fees	(127,599)	(127,200)
- superannuation contribution expense	(3,800)	(3,600)
- share based payments (options issued)	(15,983)	-
	<b>(147,382)</b>	<b>(130,800)</b>

### (d) Other administration expenses

Administration and book keeping fees	(77,623)	(82,200)
Travel and accommodation	(19,137)	(19,893)
Advertising and promotion	(10,228)	(47,068)
Office expenses	(100,513)	(94,499)
Other expenses	(45,552)	(46,239)
	<b>(253,053)</b>	<b>(289,899)</b>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



	Consolidated	
	2016	2015
	\$	\$
<b>7. INCOME TAX</b>		
The major components of the income tax are:		
<b>Statement of Comprehensive Income</b>		
<i>Current income tax</i>		
Current tax attributable to prior years	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(59,375)	(42,857)
Tax losses foregone in lieu of Exploration Development Incentive tax credits	(445,417)	
Deferred tax assets related to current year timing differences not brought to account as realisation is not considered probable	504,792	42,857
Income tax benefit reported in the income statement	-	-

## Reconciliation to Income Tax Expense on Accounting Loss

A reconciliation between tax expense and the product of accounting loss before tax multiplied by the Company's applicable income tax rate is as follows:

Accounting loss before income tax	(187,203)	(252,984)
Tax benefit at the statutory income tax rate 30%	(56,161)	(75,895)
<b>Non Deductible Expenses</b>		
Employee share expenses	-	-
Deferred tax assets not brought to account as realisation is not considered probable	153,279	169,676
Entertainment	517	1,186
Research & Development adjustment	(102,628)	(95,267)
Share based payment	4,795	-
Other	198	300
<b>Income Tax Benefit</b>	-	-

## Consolidated

## Statement of Financial Position

	30 June 2016	30 June 2015
	\$	\$
<b>Deferred income tax</b>		
Deferred income tax at 30 June relates to the following:		
<i>Deferred tax liabilities</i>		
Exploration	(2,607,292)	(2,241,614)
Fixed Assets	(1,208)	(873)
<i>Deferred tax assets</i>		
Capital raising costs	69,756	46,924
Prepayments	4,623	4,621
Tax losses	7,016,711	6,732,004
Tax losses foregone in lieu of Exploration Development Incentive tax credits	(445,417)	-
Provisions	428	1,331
Accrued Expenses	6,000	6,000
<b>Net deferred tax asset not recognised'</b>	<b>4,043,601</b>	<b>4,548,393</b>



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



The Company and its subsidiary form a tax consolidated group. The consolidated financial statements have been prepared on this basis of the formation of a consolidated group. The above DTA amounts are not recognised in the accounts on the basis the Company does not meet the DTA recognition test, as profits are not forecast for the period ended 30 June 2016.

The Company issued \$445,417 (2015: nil) Exploration Development Incentive (EDI) tax credits to shareholders which resulted in a reduction of the Company carried forward tax losses of \$1,484,722. The EDI enables eligible exploration companies to create exploration credits by giving up a portion of their tax losses from greenfields minerals expenditure and distributing these exploration credits to equity shareholders. Australian resident shareholders that are issued with an exploration credit will be entitled to a refundable tax offset or additional franking credits. The exploration company's carry forward losses are reduced proportionately to reflect the amount of exploration credits created.

## 8. SEGMENT REPORTING

The Consolidated Entity operates in one geographical area being Australia and one industry, being exploration for the year to 30 June 2016. The Chief Operating Decision Makers are the Board of Directors and management of the Group. There is only one operating segment identified being exploration activities in Australia based on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

## 9. LOSS PER SHARE

Loss used in calculation of basic and diluted earnings per share

Consolidated	
2016	2015
\$	\$
(187,202)	(252,984)

Weighted average number of ordinary shares for the purposes of basic loss per share

Effect of dilution - share options

Weighted average number of ordinary shares adjusted for effect of dilution

Number	Number
423,779,657	245,458,934
-	-
<b>423,779,657</b>	<b>245,458,934</b>

As at 30 June 2016 the Company has 5,500,000 Directors' and Employees Options (2015: 3,800,000) and 124,410,167 listed options (2015: nil) on issue. These options are not considered to be dilutive as the conversion of the options to ordinary shares will decrease loss per share.

On 3<sup>rd</sup> August 2016, the Company completed a Share Purchase Plan and issued 127,133,897 shares. There have been no other transactions involving ordinary shares or potential ordinary shares subsequent to the balance date that would significantly change the number of ordinary shares or potential ordinary shares outstanding for the reporting period.

## 10. CASH AND CASH EQUIVALENTS

### (i) Cash and cash equivalents balance

Cash at bank and on hand

Short term deposits

473,372	879,750
-	-
<b>473,372</b>	<b>879,750</b>

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



	Consolidated	
	2016	2015
	\$	\$
<b>(ii) Reconciliation of net loss after tax to net cash flows from operations</b>		
Profit/(Loss) for the year	(187,202)	(252,984)
Share-based payments	15,983	-
Depreciation	-	-
Impairment of Capitalised Exploration Expenses	-	-
(Increase)/decrease in assets:		
- current receivables	-	8,370
- Other financial assets	-	(1,431)
Increase/(decrease) in liabilities:		
- current payables	58,164	(53,415)
- provision	-	-
- deferred tax liabilities	-	-
<b>Net Cash flow from / (used in) Operating Activities</b>	<b>(113,055)</b>	<b>(299,460)</b>

## 11. TRADE AND OTHER RECEIVABLES

GST recoverable	23,749	94,335
	<b>23,749</b>	<b>94,335</b>

### (a) Allowance for impairment loss

Trade and other receivables which are primarily from the ATO are non-interest bearing and are generally paid on 30 day settlement terms. Trade and other receivables are neither past due nor impaired at 30 June 2016 and 30 June 2015.

### (b) Fair value

Due to the short term nature of the other receivables, their carrying value is assumed to approximate their fair value

## 12. OTHER FINANCIAL ASSETS

Non-current - Term deposit for bank guarantee for rehabilitation bond	-	46,671
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The non-current other financial asset term deposit was a security for bank guarantees provided by the Company to the State Government to support Rehabilitation Bonds on exploration tenements. The funds attracted interest at fixed rates in term deposits. The Fair Value of Other Financial Assets approximates the Carrying Value. Management have deemed this to be a level 2 Financial Asset.

## 13. PLANT AND EQUIPMENT

Cost	68,120	31,301
Accumulated depreciation	(23,292)	(23,292)
<b>Net carrying amount</b>	<b>44,828</b>	<b>8,009</b>
At beginning of year, net accumulated depreciation	8,009	8,009
Acquired	36,819	-
Disposals	-	-
Depreciation charge for the year	-	-
<b>At end of year, net accumulated depreciation</b>	<b>44,828</b>	<b>8,009</b>

The useful life of the assets was estimated between 3 and 20 years for 2016.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



	Consolidated	
	2016	2015
	\$	\$
<b>14. DEFERRED EXPLORATION EXPENDITURE</b>		
Costs carried forward in respect of:		
<b>Explorations and Evaluations Phase - At Cost</b>		
Balance at beginning of the year	7,472,047	5,267,933
Expenditure incurred	1,218,926	2,204,114
<b>Total Exploration Expenditure</b>	<b>8,690,973</b>	<b>7,472,047</b>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas. As at 30 June 2016 there are no indicators of impairment under AASB 6 related to Deferred Exploration Expenditure.

## 15. TRADE AND OTHER PAYABLES

Trade payables	146,567	393,852
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Trade payables and other creditors are non interest bearing and are normally settled on 30 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

## 16. CONTRIBUTED EQUITY AND RESERVES

### (a) Contributed Equity - Consolidated

	2016	
	Number	\$
<b>Issued capital at beginning of year as at 1 July 2015</b>	<b>311,024,953</b>	<b>27,266,692</b>
Fully paid ordinary shares carry one vote per share and carry the right to dividends		
<b>Movements in ordinary shares on issue</b>		
Issued 26 <sup>th</sup> Nov 15 for Cash in Placement	30,000,000	300,000
Issued 26 <sup>th</sup> Nov 15 for Cash in Rights Issue	82,754,704	827,547
Transaction Costs on Share Issue net of tax	-	(26,932)
<b>Issued capital at end of year as at 30 June 2016</b>	<b>423,779,657</b>	<b>28,367,307</b>
<b>Movement in options on issue</b>	<b>Number</b>	<b>Exercise Price</b>
<b>Listed Options on Issue as at 1 July 2015</b>	-	
Issued 21 <sup>st</sup> July 2015 (expiry date 30 Jun 2018, issued for nil consideration)	124,410,168	10 cents
<b>Listed Options on Issue as at 30 June 2016</b>	<b>124,410,168</b>	
	<b>Number</b>	<b>Exercise Price</b>
<b>Unlisted Options on Issue as at 1 July 2015</b>	3,800,000	
Issued 21 <sup>st</sup> July 2015	1,750,000	10 cents
<b>Options on Issue as at 30 June 2016</b>	<b>5,550,000</b>	

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



## (a) Contributed Equity - Consolidated

	2015	
	Number	\$
<b>Issued capital at beginning of year as at 1 July 2014</b>	<b>155,248,174</b>	<b>24,960,903</b>
Fully paid ordinary shares carry one vote per share and carry the right to dividends		
<b>Movements in ordinary shares on issue</b>		
Issued 2 <sup>nd</sup> July 14 for Cash in Placement	400,005	48,000
Issued 29 <sup>th</sup> September 14 for Cash in Placement	13,796,005	620,820
Issued 31 <sup>st</sup> October 14 for Cash in Placement	6,204,006	279,180
Transaction Costs on Share Issue net of tax	-	(61,482)
Issued 19 <sup>th</sup> December 14 as 35% part payment of Drilling Costs <sup>1</sup>	1,541,879	69,384
Issued 17 <sup>th</sup> March 15 for Cash in Rights Issue Placement	131,334,884	1,313,349
Transaction Costs on Share Issue net of tax	-	(13,462)
Issued 25 <sup>th</sup> June 15 as 40% part payment of Drilling Costs <sup>1</sup>	2,500,000	50,000
<b>Issued capital at end of year as at 30 June 2015</b>	<b>311,024,953</b>	<b>27,266,692</b>
<b>Movement in options on issue</b>	<b>Number</b>	<b>Exercise Price</b>
<b>Listed Options on Issue as at 1 July 2014</b>	<b>62,529,458</b>	
Issued 2 <sup>nd</sup> July 2014	160,002	20 cents
Expired 30/06/15 – Loyalty Bonus Options Issue 6 <sup>th</sup> March 2013	(62,689,460)	20 cents
<b>Listed Options on Issue as at 30 June 2015</b>	<b>-</b>	
<b>Unlisted Options on Issue as at 1 July 2014</b>	<b>10,750,000</b>	<b>Exercise Price</b>
Expired 31 <sup>st</sup> December 2014	(750,000)	24 cents
Expired 31 <sup>st</sup> December 2014	(1,950,000)	55 cents
Expired 30 <sup>th</sup> June 2015	(4,250,000)	10 cents
<b>Options on Issue as at 30 June 2015</b>	<b>3,800,000</b>	

<sup>1</sup>The fair value of the share issue at grant date was equal to the fair value of the drilling costs.

Other than the following there were no other significant movements in equity after the 2015 reporting period until the lodgment of this report.

- On 21st July 2015, the Company issued 124,410,168 options with an expiry date 30 Jun 2018, the options were issued for nil consideration as part of a pro-rata bonus options issue to shareholders.
- On 26th November 2015, the Company issued 30,000,000 ordinary shares at 1 cent per share as part of a Placement and 82,754,704 ordinary shares at 1 cent per share as part of a pro-rata non-renounceable rights issue on the basis of 1 new share for every 1 share held.
- On 3rd August 2016, the company announced the completion of the Share Purchase Plan which raised \$788,230 from the issue of 127,133,897 shares at 0.62 cent per share.

### Terms and conditions of contributed equity

#### Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

As per the Corporations Act 2001 the Company does not have authorised capital and ordinary shares do not have a par value.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



## (b) Reserves

	Equity Benefits Reserve \$
<b>Reserves</b>	
At 30 June 2014	1,510,429
Share-based payments	-
At 30 June 2015	1,510,429
Share - based payments	15,983
At 30 June 2016	<u>1,526,412</u>

### Nature and Purpose of Equity Benefits Reserve

This reserve is used to record the value of equity benefits provided to directors, employees and external service providers as part of their fees and remuneration.

During the year, the following options were issued by the Company:

- 1,750,000 unlisted options exercisable at \$0.10 on or before 30<sup>th</sup> November 2018 were issued to contractors and employees of the Company. These options all vested immediately.

	Consolidated	
	2016	2015
	\$	\$

## 17. COMMITMENTS

### (a) Exploration Expenditure Commitment

In order to maintain the Company's interest in mining tenements, the Company is committed to meet the minimum expenditure conditions under which the tenements were granted.

<b>Within 1 year</b>	<u>759,673</u>	<u>708,733</u>
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### (b) Operating Lease Commitment

The Company entered an agreement for occupancy and warehouse storage facilities on a monthly basis, the commitments under these agreements are:

<b>within 1 year</b>	24,000	24,000
<b>1 - 3 years</b>	<u>24,000</u>	<u>24,000</u>

Total lease payment during the year was \$24,000 (2015 : \$24,000)

## 18. SHARE BASED PAYMENTS

### (a) Recognised share-based payment expenses

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is disclosed in Note 6.

### (b) General terms of share-based payment plans

For the year ended 30 June 2016, 1,750,000 unlisted options exercisable at \$0.10 on or before 30<sup>th</sup> November 2018 were issued to contractors and employees of the company. These options all vested immediately.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



## (c) Summaries of options granted

The following table illustrates the number and weighted average exercise prices (WAEP) and movements in employee share options issued during the year.

	2016		2015	
	Number	WAEP	Number	WAEP
Options outstanding at the beginning of the year	3,800,000	0.17	10,750,000	0.22
Granted during the year	1,750,000	0.10	-	-
Converted during the year				
Expired during the year	-	-	(6,950,000)	0.24
Cancelled during the year				
Outstanding at the end of the year	5,550,000	0.15	3,800,000	0.17
Exercisable at the end of the year	5,550,000	0.15	2,950,000	0.16

There were 5,550,000 options issued or exercisable as at 30 June 2016 (2015: 3,800,000).

On the 21<sup>st</sup> July 2015, the Company granted 1,750,000 options over ordinary shares to contractors and employees, with an exercise price of \$0.10, exercisable until 30<sup>th</sup> November 2018. All of these options vested immediately.

## (d) Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 30 June 2016 is 2.46 years (2015: 3.48 years).

## (e) Range of exercise price and weighted average share price at the date of exercise

The exercise price for options outstanding at the end of the year was:

Options	2016	2015
Class J (1,250,000)	0.10	0.10
Class L (2,550,000)	0.20	0.20
Class M (1,750,000)	0.10	-

There were no options exercised during the 2016 financial year.

## (f) Weighted average fair value

The weighted average fair value of options granted during the year was \$0.15 cents. There were no options granted during the previous year ended 30 June 2015.

## (g) Option pricing model

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2016 and 30 June 2015. Please note there were no options granted during the year ended 30 June 2015:

Grant Date	21 July 2015	Total 2015
Options Issued	1,750,000	3,800,000
Volatility (%)	100	-
Risk free interest rate (%)	1.99	-
Historic share price previous to grant date (cents)	0.02	-
Expected life of options (months)	40	-
Options exercise price (cents)	10	-

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



## 19. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise of cash and short term deposits. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 10, 11, 12 and 15 to the consolidated financial statements.

The Group manages its exposure to a variety of financial risks: market risk (including commodity risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk in accordance with the approved Group policies.

Primary responsibility for the identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of market forecast for interest rate and foreign exchange. The Group manages credit risk by only dealing with recognised, creditworthy, third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

### *Commodity price risk*

The Group's policy is to sell its commodity products at current market prices. Once in production the Group expects to have an exposure to commodity price risk associated with the production and sale of vanadium and fluorite. Presently the Group is not exposed to commodity price risk.

### *Interest rate risk*

The Group's current exposure to the risk of changes in market interest rates relate primarily to cash assets rates and is managed by the Board in accordance with the approved investment policy. This policy defines maximum exposures and credit ratings limits.

The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

During the financial year the Group has managed its cash assets by entering into a fixed interest term deposits to maximise its cash balance.

The following table summarises the impact of reasonably possible changes on interest rates for the Consolidated Group as at 30 June 2016. The sensitivity is based on the assumption that interest rate changes by 80 basis points with all other variables held are constant. The 80 basis points sensitivity is based on reasonably possible changes over a financial year, using the observed historical trend. The analysis is performed on the same basis for the comparative period.

The Group's exposure to interest rate risk on post-tax loss arises from higher or lower interest income from cash and cash equivalents. Please see Note 10 for information on cash balance held with variable and fixed interest rates.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	473,372	879,750
Other Financial Assets	-	46,671
<b>Financial Liabilities</b>	-	-
	<b>473,372</b>	<b>926,421</b>
<b>Impact on post tax profit and equity</b>		
Post-tax gain/(loss) and equity		
80 bp increase	523	2,746
80 bp decrease	(523)	(2,746)

### *Foreign currency risk*

The Group has no material transactional foreign currency exposure.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



## Credit risk

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The Group is exposed to credit risk from its operating activities, financing activities including deposits with banks and receivables.

The credit risk control procedures adopted by the Group is to assess the credit quality of the institution with whom funds are deposited or invested, taking into account its financial position and past experiences. Investment limits are set in accordance with limits set by the Board based on the counterparty credit rating. The limits are assigned to minimise concentration of risks and mitigate financial loss through potential counterparty failure. The compliance with credit limits is regularly monitored as part of day-to-day operations. Any credit concerns are highlighted to senior management.

As the Group is yet to commence mining operations it has no significant exposure to customer credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets in the Statement of Financial Position.

## Credit Quality of Financial Assets

	S&P Credit rating				
	AAA	A1+	A1	A2	Unrated
	\$	\$	\$	\$	\$
<b>Consolidated as at 30 June 2016</b>					
Cash and cash equivalents	-	472,432	-	-	940
Other Financial Assets	-	-	-	-	-
Trade and Other Receivables	23,749	-	-	-	-
<b>Consolidated as at 30 June 2015</b>					
Cash and cash equivalents	-	878,810	-	-	940
Other Financial Assets	-	46,671	-	-	-
Trade and Other Receivables	94,335	-	-	-	-

## Liquidity risk

The responsibility for liquidity risk management rests with the Board of Directors.

The Group manages liquidity risk by maintaining sufficient cash to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The Group's liquidity needs can be met through a variety of sources, including: cash generated from interest accrued on cash balances, short and long term borrowings and issue of equity instruments.

Alternatives for sourcing our future capital needs include our current cash position, future operating cash flow, project debt financings and equity raisings. These alternatives are evaluated to determine the optimal mix of capital resources for the Group's capital needs.

As at 30 June 2016 and 30 June 2015, the Group's financial liabilities have contractual terms of less than 6 months.

## Capital risk management

The Group's capital comprises share capital, reserves less accumulated losses amounting to \$9,086,354 at 30 June 2016 (2015: \$8,156,960). The Group's capital management objectives are:

- To safeguard the business as a going concern;
- To maximise potential returns for shareholders through minimising dilution; and
- To retain an optimal debt to equity balance in order to minimise the cost of capital.

The Group may issue new shares or sell assets to reduce debts in order to maintain the optimal capital structure.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016



## 20. SUBSIDIARY

The consolidated financial statements include the financial statements of King River Copper Limited and its subsidiary:

	Country of Incorporation	% Equity Interest	
		2016	2015
Speewah Mining Pty Ltd	Australia	100	100

## 21. EVENTS AFTER THE BALANCE SHEET DATE

On the 7<sup>th</sup> July 2016, the Company announced a Share Purchase Plan for existing shareholders to be able to purchase up to \$15,000 worth of additional shares at a discounted price of \$0.0062. On 3<sup>rd</sup> August 2016, the company announced the completion of the Share Purchase Plan which raised \$788,230 from the issue of 127,133,897 shares at \$0.0062 cent per share.

Other than this there were no other matters or circumstance that arose that has significantly affected, or may significantly affect, the operations of King River, the results of those operations or the state of affairs of King River in subsequent years that is not otherwise disclosed in the consolidated financial statements.

## 22. AUDITORS' REMUNERATION

The auditors of King River are Ernst & Young.

	Consolidated	
	2016	2015
	\$	\$
<b>Amounts received or due and receivable by Ernst &amp; Young for:</b>		
An audit or review of the financial report of the entity	30,900	31,100
	<b>30,900</b>	<b>31,100</b>

## 23. DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

There were no changes to key management personnel between the reporting date and the date the financial report was authorised for issue.

### (a) Compensation of Key Management Personnel

#### Key Management Personnel

Short-term	280,495	324,582
Post-employment superannuation	9,500	9,275
Value of Share based payments	13,700	-
	<b>303,695</b>	<b>333,857</b>

## 24. RELATED PARTY TRANSACTIONS

All equity transactions with key management personnel have been entered into at arm's length.

Australian Heritage Group Pty Ltd ("AHG"), a company of which Mr Anthony Barton, is a Director and Mr Greg MacMillan, is a Director and the Company Secretary, have entered into an occupancy and administration agreement with King River Copper in respect of providing occupancy, administration and bookkeeping services commencing March 2009. The total value of the occupancy and administration services provided by AHG during the year was \$77,623 (2015: \$82,200). As at 30<sup>th</sup> June 2016, there was an amount of \$30,140 (2015: \$7,535) outstanding to pay AHG. Included in Trade payables as disclosed in Note 15. All services provided by companies associated with directors were provided on commercial terms.

Mr Anthony Barton, a Director of the Company also purchased 179,992 (2015: 6,731,248) King River Copper shares on market and received a rights issue of 12,123,767 (2015: 14,760,269) shares as part of the 26<sup>th</sup> November 2015 Rights Issue as per Note 16(a) for a total consideration of \$122,053 (2015: \$331,289) in arm's length transactions on market during the year at market rates. Mr Barton received 14,548,519 (2015: nil) listed options as part of the bonus options issue on 21<sup>st</sup> July 2015 as per Note 16(a) for nil consideration.

Mr Leonid Charuckyj received 970,711 (2015: 1,456,062) shares for a total consideration of \$9,707 (2015: \$14,651) as part of the 26<sup>th</sup> November 2015 rights issue. Mr Charuckyj received 1,164,850 (2015: nil) listed options as part of the bonus options issue on 21<sup>st</sup> July 2015 as per Note 16(a) for nil consideration.

Mr Greg MacMillan received 4,410,350 (2015: 5,524,528) shares for a total consideration of \$44,104 (2015: \$79,765) as part of the 26<sup>th</sup> November 2015 rights issue. Mr MacMillan received 5,292,421 (2015: nil) listed options as part of the bonus options issue on 21<sup>st</sup> July 2015 as per Note 16(a) for nil consideration.

## Independent auditor's report to the members of King River Copper Limited

We have audited the accompanying financial report of King River Copper Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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(a), 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, a copy of which is included in the directors' report.

## Opinion

In our opinion:

- (a) the financial report of King River Copper 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 30 June 2016 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 2(a).

## Emphasis of matter

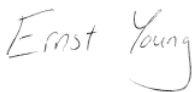
Without qualifying our opinion, we draw attention to Note 2(e) in the financial report. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the year ended 30 June 2016. 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 King River Copper Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



P Teale  
Partner  
Perth  
16 August 2016

## ASX Additional Information



Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 9 August 2016.

### (a) Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of share are:

	Listed Ordinary Shares		Listed Options	
	Number of Holders	Number of Shares	Number of Holders	Number of Shares
1 – 1,000	92	39,925	181	82,782
1,001 – 5,000	210	687,803	422	1,246,103
5,001 – 10,000	209	1,748,227	221	1,703,603
10,001 – 100,000	623	25,055,547	524	18,696,654
100,001 – and over	484	523,382,052	189	102,681,026
	<b>1,618</b>	<b>550,913,554</b>	<b>1,537</b>	<b>124,410,168</b>

There are 839 shareholders holding less than a marketable parcel at a price of \$0.015, totalling 9,110,214 shares.

There are 1,267 option holders holding less than a marketable parcel at a price of \$0.008, totalling 15,040,475 options.

### (b) Twenty Largest Shareholders

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

	Listed Ordinary Shares	
	Number of Shares	Percentage of Shares %
1 HSBC Custody Nominees (Australia) Ltd <ST A/c>	31,654,026	5.75%
2 L & E Fisher Nominees Pty Ltd	15,474,745	3.81%
3 Barton & Barton Pty Ltd	11,765,176	2.14%
4 Mr Anthony P Barton & Mrs Corinne H Barton <Anthony Peter Barton PSF A/c>	11,485,180	2.08%
5 Lawrence Crowe Cons Pty Ltd	10,567,970	1.92%
6 Sesna Pty Ltd	10,551,846	1.92%
7 Mr Anthony P Barton & Mrs Corinne H Barton <Barton Superfund A/c>	10,331,838	1.88%
8 Occasio Holdings Pty Ltd <Occasio Unit A/>	10,244,476	1.86%
9 Greatside Holdings Pty Ltd	9,293,334	1.69%
10 Inglewood Lodge Pty Ltd	9,163,288	1.66%
11 Australian Heritage Group Pty Ltd <Aust Heritage Gp A/c>	7,885,386	1.43%
12 The King's Ransom (VIC) Pty Ltd <King Family Super Fund A/c>	7,584,747	1.38%
13 Miss Victoria Rose Barton	7,151,846	1.30%
14 L & E Fisher Nominees Pty Ltd <Fishers Super Fund A/c>	6,082,328	1.10%
15 Jarden Custodians Ltd	5,664,344	1.03%
16 Deniliquin Pharmacy NSW Pty Ltd	5,277,334	0.96%
17 Shayden Nom Pty Ltd	5,117,325	0.93%
18 Mr Anthony Kastropil <TK Superannuation Fund A/c>	4,919,382	0.89%
19 Keith William Sheppard <Sheppard Fam A/c>	4,901,231	0.89%
20 Purple Onion Pty Ltd <Kim Bailey SF A/c>	4,818,513	0.87%

# ASX Additional Information



## (c) Substantial Shareholders

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

	Number of Shares	Percentage of Ordinary Shares %
Mr Anthony Barton and Associates	80,497,192	14.61%
Copulos Group	25,628,520	6.05%

## (d) Voting Rights

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

## (e) Twenty Largest Quoted Option Holders

These options all have an exercise price of 10 cents and expire on the 30<sup>th</sup> June 2018

	Listed Options	
	Number of Options	Percentage of Options %
1. HSBC Custody Nominees (Australia) Ltd <ST A/c>	9,496,208	7.63%
2. Sesna Pty Ltd	8,066,509	6.48%
3. L & E Fisher Nominees Pty Ltd	3,996,870	3.21%
4. Barton & Barton Pty Ltd	2,884,000	2.32%
5. Mr Anthony P Barton & Mrs Corinne H Barton <Anthony Peter Barton PSF A/c>	2,800,001	2.25%
6. Greatside Holdings Pty Ltd	2,788,000	2.24%
7. Occasio Holdings Pty Ltd <Occasio Unit A/>	2,564,000	2.06%
8. Mr Anthony P Barton & Mrs Corinne H Barton <Barton Superfund A/c>	2,400,000	1.93%
9. The King's Ransom (VIC) Pty Ltd <King Family Super Fund A/c>	2,313,300	1.86%
10. Jarden Custodians Ltd	1,699,304	1.37%
11. Opalwork Pty Ltd	1,654,000	1.33%
12. Mr Anthony Kastropil <TK Superannuation Fund A/c>	1,475,815	1.19%
13. Inglewood Lodge Pty Ltd	1,457,879	1.17%
14. Australian Heritage Group Pty Ltd <New Capital Fund A/c>	1,445,086	1.16%
15. Citicorp Nominees Pty Ltd	1,442,732	1.14%
16. National Nominees Ltd	1,141,239	1.13%
17. Stollow Pty Ltd <The Leung Investment A/c>	1,408,311	1.13%
18. Romanna Pty Ltd <ICM Superannuation Fund A/c>	1,355,630	1.09%
19. L & E Fisher Nominees Pty Ltd <Fishers Super Fund A/c>	1,162,668	0.93%
20. Australian Heritage Group Pty Ltd <Aust Heritage Gp A/c>	2,074,509	0.86%

## ASX Additional Information



### (f) Distribution of unquoted option holder numbers

Category (Size of Holding)	No of Option Holders	No of Options
100,001 and over	7	5,550,000
	7	5,550,000

### (g) Holders of more than 20% of unquoted options

There are no holders, holding more than 20% of the unquoted options on issue.

### (h) On-Market Buyback

There is no on-market buy-back scheme in operation for the company's quoted shares or quoted options.

### (i) Schedule of Mining Tenements

Area of Interest	Tenements	Comments
<b>Australia - Western Australia</b>		
East Kimberley	M80/267	All of the Tenements are registered in the name of Speewah Mining Pty Ltd, a wholly owned subsidiary of King River Copper Limited.  Note: M = Mining Lease E = Exploration Licence L = Miscellaneous Licence
East Kimberley	M80/268	
East Kimberley	M80/269	
East Kimberley	E80/2863	
East Kimberley	E80/3657	
East Kimberley	E80/4468	
East Kimberley	E80/4740	
East Kimberley	E80/4741	
East Kimberley	E80/4829	
East Kimberley	E80/4830	
East Kimberley	E80/4831	
East Kimberley	E80/4832	
East Kimberley	E80/4961	
East Kimberley	E80/4962	
East Kimberley	E80/4972	
East Kimberley	E80/4973	
East Kimberley	L80/43	
East Kimberley	L80/47	

## 1 INTRODUCTION

### 1.1. Corporate Governance

The Australian Stock Exchange ("ASX") Listing Rules ("Listing Rules") require a listed entity to include in its annual report a statement on corporate governance practices disclosing the extent to which it has followed the "best practice" corporate governance recommendations set by the ASX Corporate Governance Council. If the entity has not followed any of the recommendations, it must identify them and give reasons why. It must state the period during which the recommendations were followed. For this purpose, Listing Rules Guidance Note 9 sets out the 8 essential corporate governance principles and the applicable "best practice recommendations".

### 1.2. Compliance with ASX Listing Rule 4.10.3

Listing Rule 4.10.3 and Guidance Note 9 reflect ASX policy that it is "*appropriate to focus on disclosure of corporate governance practices rather than prescribe adoption of a particular practice*". Therefore, an entity's obligation is to highlight areas of departure from the recommendations: the "*if not, why not?*" approach.

### 1.3. The Company's Approach

The Board and senior management of King River Copper ("the Company") are committed to acting responsibly, ethically and with high standards of integrity as the Company works to create shareholder value. To achieve this goal, the Board has developed and adopted corporate governance practices and policies that have been implemented throughout management and governance. This Corporate Governance Statement summarises these practices as they have been adopted by the Company.

### 1.4. Adoption by the Board

The Board of the Company has reviewed and considered this Corporate Governance Statement and has adopted it. A Board resolution to this effect has been passed.

### 1.5. Summary of Compliance

The Company has complied with 24 of the 26 "best practice recommendations". Non-compliance with Recommendations 2.2 and 4.2 relates to the Board considering it appropriate to not separately constitute an Audit Committee and there not being an independent Chairman on the Board. The full Board deals with matters that would be dealt with by Audit, Remuneration and Nomination Committees and it considers the make up of the Board and its Committees are appropriate given the Company's size and operations and the current directors' skills and experience.

## 2 ESSENTIAL PRINCIPLES OF GOOD CORPORATE GOVERNANCE

### 2.1. Principle 1: Lay Solid Foundations for Management and Oversight

*"Recognise and publish the respective roles and responsibilities of the board and management."*

*Recommendation 1.1: Formalise and disclose the functions reserved to the Board and those delegated to senior executives.*

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a Board Charter which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

The Board's primary role is the optimisation of Company performance and protection and enhancement of shareholder value. They develop strategies for the Company, reviews strategic objectives and monitors performance against these objectives. Its functions and responsibilities include the following:

- setting strategic and policy direction
- monitoring performance against strategy
- identifying principal risks and opportunities and ensuring risk management systems are established and reviewed
- approving and monitoring financial reports
- capital management
- significant business transactions and investments
- appointing senior management and monitoring performance
- remuneration
- development and succession
- continuous disclosure compliance
- ensuring effective shareholder communication
- overseeing the Company's commitment to sustainable development and the environment
- ensuring the Board remains appropriately skilled
- reviewing and approving corporate governance systems
- enhancing and protecting the Company's reputation.

- establishing and maintaining appropriate ethical standards

The Board is also governed by the Company's Constitution, and on appointment each director is provided with a Director's Information Kit, which forms part of the terms of their appointment and contains guides to directors' duties and responsibilities, the role of the Board and committees, the Constitution and the Company's policies.

The Company has in place formal letters of engagement for its senior management, setting out the responsibilities specifically delegated to them.

*Recommendation 1.2: Disclose the process for evaluating the performance of senior executives.*

During each Financial Year an assessment of the performance of each senior executive is undertaken by the Remuneration Committee and the Board. Individual executives are evaluated against the terms and conditions of their employment and set policies for senior executive remuneration. Remuneration packages consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation and entitlements upon retirement or termination.

Senior executives are evaluated and rewarded for both financial and non-financial performance across a range of indicators that apply to delivering results across the Company and linked to creating value for shareholders. Annual salary increases are determined by the following three factors: (a) movement in job salary rates as determined by the Minerals and Energy Human Resources Conference ("MEHRC") national survey on like positions and job size; (b) movement in individual competency values; and (c) movement in individual performance values.

## 2.2. Principle 2: Structure the Board to Add Value

*"Have a board of an effective composition size and commitment to adequately discharge its responsibilities and duties."*

*Recommendation 2.1: A majority of the board should be independent directors.*

The board comprises of Mr Anthony Barton, Mr Leonid Charuckyj and Mr Greg MacMillan as directors. Mr Derek Carew-Hopkins was also a director during the year, however resigned on the 2<sup>nd</sup> July 2014. Mr MacMillan was appointed as a Director the same day. Details of the directors are set out in the Company's annual report. At present, Mr Leonid Charuckyj is considered to be an independent director in terms of the ASX Corporate Governance Council's definition of independence. Mr Barton & Mr MacMillan are not considered independent as Mr Barton is a substantial shareholder of the Company and Mr MacMillan is currently acting as Company Secretary. The board is not made up of a majority of independent directors, however the company has also adopted certain procedures intended to ensure independent decision making occurs, including the requirement for directors to absent themselves from discussions in which they have a conflict of interest and the functioning of the Remuneration and Audit Committees.

*Recommendation 2.2: The chairperson should be an independent director.*

The chairperson, Mr Barton, is not independent, as outlined above.

*Recommendation 2.3: The roles of the chairperson and Chief Executive Officer should not be exercised by the same individual.*

The role of chairperson is filled by Mr Anthony Barton and currently the position of Chief Executive Officer is vacant.

*Recommendation 2.4: The board should establish a Nomination Committee.*

The Board has established a nomination committee comprising of all three Directors. The Board considers that given its size and that all members of the Board hold non-executive positions in the Company, no efficiencies or other benefits would be gained by establishing a separate nomination committee. The Board assesses the experience, knowledge and expertise of potential directors before any appointment is made. The nomination committee deals with matters relating to the renewal of Board Members and Board Performance. The company has also adopted a Nomination and Remuneration Committee Charter.

*Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The Remuneration Committee has developed a formal process for performance evaluation of the Board. The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers once a year making recommendations on remuneration packages and terms of employment to the Board.

The company secretary is appointed and removed by the Board. The company secretary works with the Chairman, the Board and the Board Committees on all governance issues. All Directors have access to the company secretary for the purpose of obtaining information or advice.

## 2.3. Principle 3 : Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

*Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- *The practices necessary to maintain confidence in the company's integrity.*
- *The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.*



- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has adopted a Code of Conduct setting the standards expected of officers, employees and contractors. This demonstrates the Company's commitment to conducting business in an ethical and accountable manner. In essence, officers, employees and contractors are expected to:

- act in good faith with the utmost honesty, integrity, objectivity and fairness
- not to act improperly, misleadingly or deceptively
- not to engage in illegal activity
- understand and comply with applicable laws and Company policies
- avoid conflicts of interest
- be professional, responsible and accountable
- respect an individual's rights
- deal responsibly with the community.

The Board monitors implementation of the Code. Breaches are reported by employees or contractors to a supervisor and by management or directors to the Board or the chairperson. In addition, the Director's Information Kit provided to each director contains a guide to the duties and responsibilities of directors and it is expected that Directors will be familiarised with these or any other documents prepared by the Company to meet corporate governance requirements.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity for the board to assess annually both the objectives and the progress in achieving them.

The Company has not yet established a formal diversity policy. The Board has and will where appropriate conduct all Board appointments in a manner that promotes gender diversity including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet set a formal policy for achieving gender diversity. The Company will monitor its position and consider establishing a formal policy as and when the Company develops over time.

Recommendation 3.3: Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Company has not established measurable guidelines in relation to diversity. Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet set a formal policy for achieving gender diversity. The Company will monitor its position and consider establishing a formal policy as and when the Company develops over time to address equal opportunities in the hiring, training and career advancement of directors, officers and employees.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive position and women on the board.

The gender balance throughout the organisation at 30 June was as follows:

	2016		2015	
	Female	Total	Female	Total
Board	-	3	-	4
Other Key Management Personnel	-	2	-	3

All appointments have previously and will continue to be conducted in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

## 2.4. Principle 4: Safeguard Integrity in Financial Reporting

"Have a structure to independently verify and safeguard the integrity of the company's financial reporting."

Recommendation 4.1: The board should establish an audit committee.

The Board has established an Audit Committee consisting of the full board. The Board considers that given its size and that all members of the Board hold non-executive positions in the Company, no efficiencies or other benefits would be gained by establishing a separate audit committee.

Recommendation 4.2: Structure the audit committee so that it consists of: only non executive directors; a majority of independent directors; an independent chairperson, who is not chairperson of the board; and at least three members.

The audit committee is made up of the full board being three non - executive directors. The chairman of the Audit Committee, Mr MacMillan is not the Chairman of the Board and is a Non-Executive director of the company. Before Mr MacMillan's appointment on the 2<sup>nd</sup> July 2014, Mr Carew-Hopkins was the Chairman for the Audit Committee. He was also not the Chairman of the Board during this time. Mr Charuckyj was considered an independent director pursuant to the ASX Corporate Governance Principles.

The Board considers that given its size and that all members of the Board hold non-executive positions in the Company, no efficiencies or other benefits would be gained by establishing a separate audit committee or appointing another non-executive, independent director to the Board.

*Recommendation 4.3: The audit committee should have a formal charter.*

The Board has adopted an Audit Committee Charter which sets out the duties of the Committee. These include the following:

- to be the focal point of the communication between the Board, management and the external auditor
- recommend engagement and monitor performance of the external auditor
- review external audit reports and ensure prompt remedial action
- review the effectiveness of management information and internal control, all areas of significant financial risk and risk management, significant transactions not a normal part of the Company's business, financial information and ASX reporting statements
- monitor internal controls and compliance and review the disclosure policy annually.

The audit committee aims to meet at least once every quarter, with further meetings on an as required basis. The charter is included on the Company's website which also includes any information on procedures for the selection and appointment of the external auditor, or rotation of external engagement partners.

## 2.5. Principle 5: Make Timely and Balanced Disclosure

*"Promote timely and balanced disclosure of all material matters concerning the Company."*

*Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.*

The Company has in place a continuous disclosure policy, "A Guide to Disclosure" which is reviewed at least annually, a copy of which is included in the Director's Information Kit provided to each director upon appointment, and which forms part of the terms of their appointment. A copy of the policy is also provided to all Company officers, employees and agents. The Company has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of its securities. The Company discharges these obligations by releasing information to ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report). In addition, a list of recent announcements is presented in each Board meeting for discussion, minuting and action if required.

## 2.6. Principle 6: Respect the Rights of Shareholders

*"Respect the rights of shareholders and facilitate the effective exercise of those rights."*

*Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*

The Company has in place a communications policy, a copy of which is included in the Director's Information Kit provided to each director upon appointment. The company is committed to ensuring that trade in securities takes place in an efficient, competitive and informed market. The communications policy recognises the importance of forthright communication as a key plank in building shareholder value and that to prosper and achieve the growth the company must (among other things) earn the trust of employees, customers, suppliers, communities and security holder by being forthright in its communications and consistent in its fulfilment of obligations.

The key aspects of the policy are:

- diligent compliance with the Company's disclosure and trading policies;
- prompt, transparent compliance with statutory reporting and meeting obligations, including detailed and full disclosure in relation thereto; and
- effective use of the Company's website, electronic communication and its share registry to keep shareholders up to date and to deal with enquiries.

The communications policy was adopted in May 2007 and is reviewed annually.

The Company employs a wide range of communication approaches to its members and the broader investment community. In addition to direct communication with its members, a section of the Company's website is dedicated to its investors. Media releases, investor presentations and interim and full-financial reports are available for review on its website. These announcements, presentations and reports are placed on the website immediately after they have been released to ASX. Members with access to email can, through the Company's website, elect to be placed on an email mailing list in order to be sent certain corporate information as it is released, including notices of annual general meetings and

explanatory statements and Annual reports. The Company regularly issues direct mail-outs to all shareholders advising of its email communication facility to encourage shareholders to be placed on its email mailing list.

As the usage and acceptance of electronic communications in the community increases, the Company continues to investigate the potential for increased use of electronic means of communicating with its investors and engaging their involvement in the Company, including shareholder participation in its general meetings.

## 2.7. Principle 7: Recognise and Manage Risk

*"Establish a sound system of risk oversight and management and internal control."*

*Recommendation 7.1: The board or appropriate committee should establish policies on risk oversight and management, and disclose a summary of those policies.*

The Company has in place a risk oversight and management policy, a copy of which is included in the Director's Information Kit provided to directors upon appointment and which sets out systems for risk oversight, management and internal control.

This risk management policy was adopted in May 2007. The key aspects of it are:

- the Board oversees the establishment and implementation of risk management;
- the Audit Committee is delegated the function and responsibility to establish, implement and maintain risk management systems and frameworks; and
- the Company's senior management are delegated the tasks of management of operational risk and the implementation of risk management strategies.

The Board approves risk management systems and reviews them and their implementation annually. The Company's risk profile, assessed and determined on the basis of the Company's businesses in mineral exploration, is reviewed annually. The Board regularly considers risk management at its meetings.

The Company's risk management systems and control frameworks include the Board's ongoing monitoring of management and operational performance, a comprehensive system of budgeting, forecasting and reporting to the Board, regular presentations to the Board by management on the management of risk, approval procedures for significant capital expenditure above threshold levels, the functioning of the Audit Committee, comprehensive written policies on specific activities and corporate governance, regular communication between directors on compliance and risk and consultation and review between the Board and external accountants.

*Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively the board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

The Board has identified the specific and general risks that the Company is subject to and regularly assess and evaluate the impact of these and other potential risks on the Company's operation and business objectives. The risk profile of the company contains both financial and non-financial factors including material risks arising from pricing, competitive position, currency movements, operational efficiency, product quality and investments in new projects. Senior management are responsible for the development of risk mitigation plans and the implementation of risk reduction strategies and each week the senior management team meets to identify and discuss the types of business risks threatening the Company as a whole or specific business activity within the Company.

To reduce these risks, the company has in place an experienced Board, regular Board meetings, financial annual audit and half year review, rigorous appraisal of new investments, and advisers familiar with the company. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board Meetings.

The Board is of the view that its risk management systems promote informed and measured decision making on risk issues based on a systematic approach to risk identification, assessment, control, review and reporting.

*Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The Company Secretary confirms in writing to the Board that the financial reports of the Company for the financial year:

- present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards;
- the statement given in paragraph (a) above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

# Corporate Governance Statement



- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## 2.8. Principle 8: Remunerate Fairly and Responsibly

*Recommendation 8.1: The board should establish a Remuneration Committee.*

The Company aims to attract and retain high calibre directors and senior executives capable of meeting the leadership and specific management needs of the Company. A Remuneration Committee was established by the Board in previous years to focus on this Company objective. The role of the Remuneration Committee is carried out by the full Board.

The Committee's duties include supervising employment and human resources, recommending remuneration for executive directors and senior employees and for non executive director remuneration within approved limits, assisting executive directors develop remuneration arrangements and reviewing executive succession and development.

The Committee met once during the Financial Year.

*Recommendation 8.2: Clearly distinguish the structure of non executive directors remuneration from that of senior directors and senior executives.*

Executive Directors remuneration packages may comprise of:

- salary and associated superannuation;
- fixed directors fees; and
- performance based bonuses.

The aggregate remuneration to non executive directors will not exceed the maximum amount of \$150,000 approved by the Company's shareholders. The Company has adopted a Nomination and Remuneration Committee Charter.

Full remuneration disclosure, including superannuation entitlements, and the number of meetings of the Remuneration Committee is provided by the Company in this annual report. The Remuneration Committee ensures that all equity based executive remuneration is made within the guidelines set by plans approved by Shareholders.

### Departure from Best Practice Recommendations

From 1 July 2014 to 30 June 2015, the Company complied with each of the Eight Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council, other than in relation to the table below.

Recommendation	Notification of Departure	Explanation from Departure
2.1	Majority of the board are not independent Directors	The existing structure is considered appropriate given the small scale of the Company's enterprise and the associated economic restrictions this places on the Company. The Company has also adopted procedures intended to ensure independent decision making occurs.
2.2	The Chairman is not independent	The existing structure is considered appropriate given the small scale of the Company's enterprise and the associated economic restrictions this places on the Company. The existing structure is aimed at maximising the financial position of the Company by keepings its operating costs to a minimum.
3.2	Not established a formal diversity policy	Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet set a formal policy for achieving gender diversity. The Company will monitor its position and consider establishing a formal policy as and when the Company develops over time.
3.3	The Company has not established measurable guidelines in relation to diversity	Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet set a formal policy for achieving gender diversity. The Company will monitor its position and consider establishing a formal policy as and when the Company develops over time to address equal opportunities in the hiring, training and career advancement of directors, officers and employees.
4.2	The Audit Committee; - is not chaired by an independent chair	The role of the Audit Committee is currently carried out by the full Board, consisting of two non-independent directors and one independent director. The existing structure is considered appropriate given the size and financial position of the company.