Mount Ridley Mines Limited

A.B.N. 93 092 304 964

and its controlled entities

Annual report for the financial year ended

30 June 2016

Corporate Directory

Directors

Michael Pedley
Non-Executive Chairman

Ashley Hood
Managing Director

Guy Le Page
Non-Executive Director

Keith Bowker
Non-Executive Director

Company Secretary

Keith Bowker

Registered Office

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ACN 092 304 964
Website: **mtridleymines.com.au**

Share Registry

Securities Transfer Registrars Pty Limited
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Stock Exchange Listing

ASX Code: MRD

Auditors

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Directors' Report

Your Directors present their report together with the annual report of the Group, being Mount Ridley Mines Limited ("Mount Ridley" or "the Company") and its controlled entities for the financial year ended 30 June 2016.

Principal activities and significant changes in the nature of operations

The Group's principal activity is mining exploration.

The Company holds 4 granted Exploration Licences (a further two Exploration Licenses are under application) located in the highly prospective Fraser Range region of Western Australia. The Fraser Range is host to the Nova and Bollinger nickel and copper discoveries, discovered by Sirius Resources Limited, now owned and managed by Independence Group NL. Due to these recently discovered world class orebodies, the Fraser Range geological belt has attracted a great deal of exploration attention. Mount Ridley has conducted a number of exploration activities during the year.

The Company's tenements are

E63/1547	E63/1564	E63/1617	E63/1719	E28/2614*

*Tenement E28/2614 is under ballot application and the ballot is to be drawn in late October 2016.

Operating results and review of operations

Operating results

The net loss of the Group for the financial year ended 30 June 2016, after accounting for income tax benefit amounted to $2,068,511 (2015: $3,674,326).

Capital Raising

- On 15 July 2015 the Company raised $532,000 (before costs) through the issue of 28,000,000 fully paid ordinary shares with a 1 for 2 free attaching option exercisable at $0.07 on or before 30 June 2016.
- On 18 April 2016, the Company raised $1,387,762 via the issue of 138,776,200 fully paid ordinary shares at an issue price of $0.01 per share to sophisticated and institutional investors of the Company with a 1 for 2 free attaching option exercisable at $0.025 on or before 30 June 2017 ("Options"). A fee of 6% of the total amount raised was paid to Australian Financial Services Licensees together with the issue of a total amount of 20,000,000 unlisted options exercisable at $0.025 on or before 30 June 2017 ("Broker Options").

  The Options and Broker Options were issued on 12 July 2016 following shareholders approval at a General Meeting of the Company held on 11 July 2016.

Directors' Report *(cont'd)*

Exploration

Over the past twelve months, Mount Ridley Mines Limited has been busy exploring on its 100% owned Mt Ridley flagship Project.

The Company's projects are approximately 60kms north-east of Esperance in the highly prospective Albany-Fraser Belt of Western Australia. The town of Esperance is well equipped with road, rail and a deep-sea port ideally suited for any company exploring in this part of the Albany-Fraser aiming to go into production.

Exploration efforts in the September 2015 quarter commenced with fixed and moving loop Electromagnetic (EM) surveys which identified a bedrock conductor, T19C01, in the north eastern corner of Target 19 delineated from airborne magnetics completed in 2014. Ground EM surveys also identified a further two lesser conductive zones within the Target 19 trend, T19C02 and T19C03. While EM surveys were ongoing, the company was active drilling with 240 air core holes for 10,994 metres and 4 diamond drill holes completed in the September reporting period for a total of 1,685m (MRDD005-MRDD008) on Target 19.

Diamond drilling continued during the December 2015 quarter which saw holes MRDD009 to MRDD011 completed for a total of 1,168 meters. MRDD010 intersected a discontinuous 170m thick plus zone of minor disseminated and globular to blebby sulphides from 110m-270m downhole including a 7cm thick stringer of semi-massive sulphides at 179m. Assay results from the stringer interval returned 1.10% nickel (Ni) and 0.55% copper (Cu). MRDD011 intersected a discontinuous 337 metre thick zone of minor disseminated and globular to blebby sulphides from 92 metres to 429 metres downhole including an almost continuous 96 metre thick zone from 203 metres to 299 metres downhole. This new zone is almost twice the thickness of the mineralisation intersected in hole MRDD010.

New Geophysical Audio Magnetotelluric (AMT) Surveys were introduced to the Mt Ridley Project in early 2016 and were planned to cover the area immediately over T19C01 and the existing mineralised diamond holes. The AMT survey was undertaken to search for conductive targets at depth beneath existing diamond drilling and along strike beneath the 1,600m long coincident bedrock nickel-copper geochemical anomaly. Preliminary results over T19C01 were extremely encouraging with the interpretation of a significant conductive feature at depths approaching 450m below surface beneath diamond holes MRDD010, MRDD011 and MRDD012.

Due to the apparent interpretation of a bedrock conductivity feature in the AMT data at EM conductor T19C01, AMT work was extended to the west covering the majority of the coincident bedrock nickel-copper geochemical anomaly as far as diamond hole MRDD009, a strike distance of more than 1,400m. This additional work has been interpreted to delineate other deeper conductive features up to 350-400m beneath the coincident bedrock nickel-copper geochemical anomaly, one with a strike length in-excess of 800m. These interpreted features lined up remarkably well with the overlying coincident bedrock nickel-copper geochemical anomaly especially where the values of nickel and copper are at their highest. They are also concordant with the interpreted dip of the geology and line up very well with the down dip projections of untested EM conductivity targets T19C02 and T19C03, with the strongest AMT conductive feature underlying EM conductor T19C03

A shallow AMT target detected in March 2016 was selected as a trial or test of the AMT before riskier deeper holes are attempted. Hole MRDD013 intersecting 66m of minor disseminated and globular Ni-Cu sulphides hosted in very coarse grained varitextured olivine gabbronorites, identical to that in holes MRDD011 and MRDD012, from 112m to 178m downhole. Hole MRDD014 was drilled as a scissor hole to MRDD013 back in the opposite direction to test Ni-Cu geochemical anomalism detected in the air core drilling which didn't line up with the near surface projection of the AMT anomaly.

Ground Fixed loop EM surveying (FLEM), a ground magnetic survey and a regional ground gravity survey were undertaken in May 2016.

The FLEM survey successfully delineated a fixed loop EM conductor located some 200m below surface. It has been modelled as a steep south-east 70 degree dipping body adjacent to the contact between the intrusion and the footwall mafic granulite. The conductor plate T19C04 coincides with the AMT conductor zone and sits up-plunge from the 500-600m deep AMT phase anomaly.

A detailed ground magnetic survey designed on 50m line spacing was completed. The survey was designed to cover the area over the original AMT survey. The objective of the survey was to highlight areas of greater magnetism that could be associated with more concentrated nickel and copper sulphide mineralisation.

Detailed ground magnetic survey designed on 50m line spacing was completed; the survey was designed to cover the area over the original AMT survey. The objective of the survey is to highlight areas of greater magnetism that could be associated with more concentrated nickel and copper sulphide mineralisation.

Preliminary results have revealed a bullseye magnetic anomaly adjacent to existing diamond drilling at Target 19. The magnetic anomaly is coincident with a major flexure of the intrusions SE contact at which point the contact has rolled over or overturned. If this flexure is a primary feature of the original mafic-ultramafic intrusive body, then it could form an ideal location for massive sulphide accumulation.

A regional gravity survey was undertaken in May 2016 to provide more data over the regional gravity trend which extends the whole length of the Mt Ridley project area. The survey was designed to gain more clarity on the large high-density anomaly that sits beneath the project on a regional scale and ascertain how close to the surface it might get. Results have revealed a complex body made up of two main high-density trends, one of which runs adjacent to Target 19.

The data suggests the region has seen significant injection into this portion of the crust of dense mafic to ultramafic magma, possibly feeding the intrusions. More detailed gravity surveying has been acquired in July on a 400m x 200m grid and covers an area from Target 2 all the way to Target 19 adjacent to new target zone. Data from this survey is being modelled at the time of writing.

Work Completed 2015 – 2016 Reporting Year

The Company's activities this year included:

- Geophysical Audio Magnetotelluric (AMT) Survey
- Geophysical Audio Magnetotelluric (AMT) Modelling
- Ground EM Surveying (FLEM)
- Ground Magnetic Survey
- Gravity Surveying
- Air core Drilling
- Diamond Drilling

	Mt Ridley Project			**Total**	
Air core drilling	Quarter	Holes	Meters	Holes	Meters
	Q1	240	10,994	240	10,994
	Q2	66	3,092	66	3,092
	Q3	48	2,299	48	2,299
	Q4	0	0	0	0
		Total Air core		**354**	**16,385**

Diamond drilling	Quarter	Holes	Meters	Holes	Meters
	Q1	4	1,685	4	1,685
	Q2	3	1,168	3	1,168
	Q3	1	462.5	1	462.5
	Q4	2	895	2	895
		Total Diamond core		**10**	**4,211**

Total Meters Drilled					**20,596**

Geophysical Audio Magnetotelluric (AMT) Survey

The initial geophysical AMT survey was planned to cover the area immediately over T19C01 and the existing mineralised diamond holes. This survey was undertaken to search for conductive targets at depth beneath existing diamond drilling and along strike beneath the 1,600m long coincident bedrock nickel-copper geochemical anomaly.

Preliminary results over T19C01 were extremely encouraging with the interpretation of a significant conductive feature at depths approaching 450m below surface beneath diamond holes MRDD010, MRDD011 and MRDD012 (see Figure 1).

Recent downhole EM surveying of diamond holes MRDD007, MRDD008, MRDD010, MRDD011 and MRDD012 has detected a faint, deep, off-hole response but it was difficult to model because of the effects of the conductive transported overburden.

This deeper AMT response corresponds with the downhole EM data retrieved from these holes providing a potential vector in on the conductor's location. It also couples well with the broad zones of disseminated and globular sulphides and the coarse-grained, sulphide bearing zones of varitextured olivine gabbronorite observed in core. Combining all these factors makes this a high priority exploration target for massive nickel-copper sulphide mineralisation.

Due to the apparent initial success of AMT surveying at conductor T19C01, work was extended to the west covering the majority of the coincident bedrock nickel-copper geochemical anomaly as far as diamond hole MRDD009, a strike distance of more than 1,400m. This additional work has modelled other deeper conductive features up to 350-400m beneath the coincident bedrock nickel-copper geochemical anomaly, one with a strike length in-excess of 800m. These modelled features line up remarkably well with the overlying coincident bedrock nickel-copper geochemical anomaly especially where the values of nickel and copper are at their highest. They are also concordant with the interpreted dip of the geology and line up very well with the down dip projections of untested conductors T19C02 and T19C03, with the strongest AMT conductive feature underlying EM conductor T19C03 (see Figures 2 and 3).

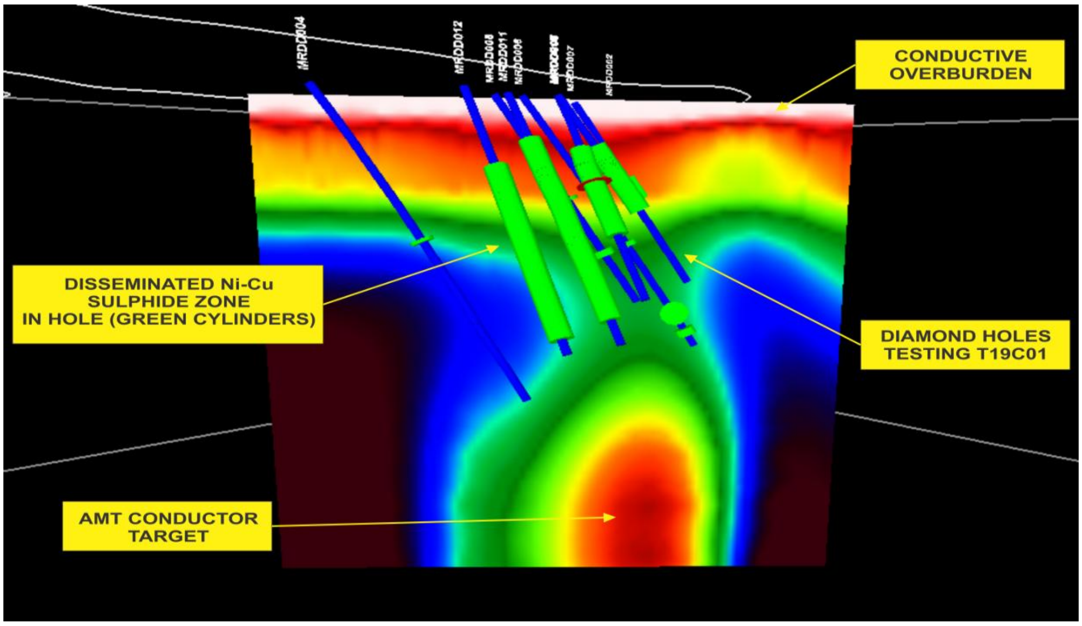

Figure 1 – Cross section 46300N showing existing diamond holes with disseminated Ni-Cu mineralisation zones (green cylinders) together with the modelled AMT data. Red and white colours indicate higher apparent conductivity material while the green and blue colours indicate less conductive material. Note the modelled apparent stronger conductive material located approximately 200-250m beneath the existing diamond drilling.

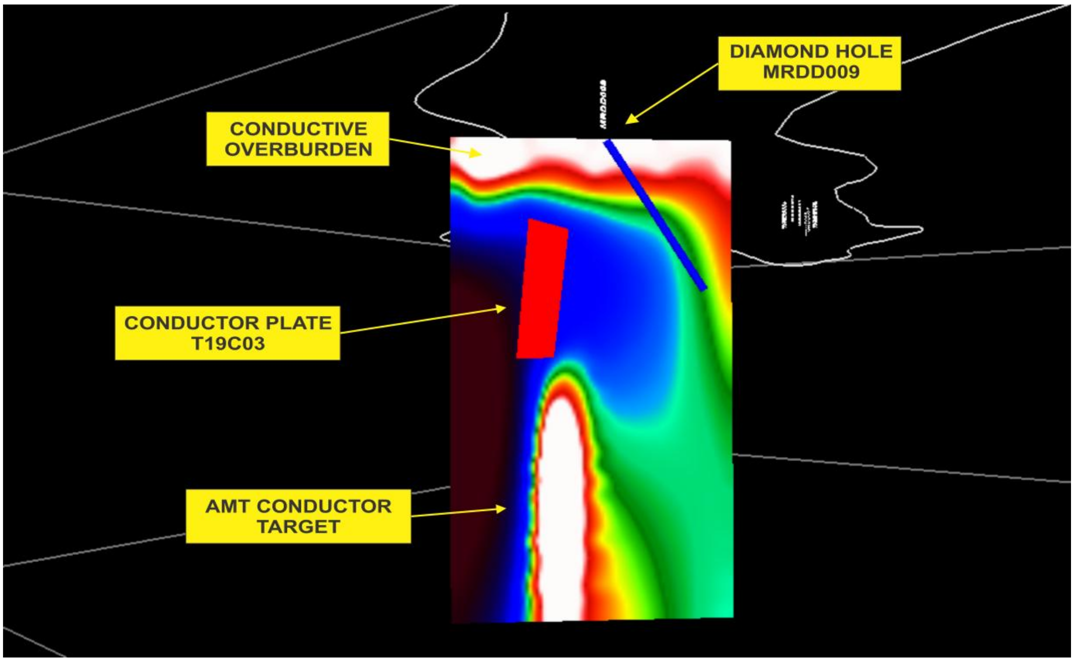

Figure 2 – Cross section 45100N showing AMT modelled data together with existing ground EM conductor plate T19C03. Note the apparently stronger conductive material modelled from the AMT directly beneath T19C03 which could represent a steep dipping zone of higher conductive sulphide content. Note also 250m deep diamond hole MRDD009, which was drilled prior to both geophysical surveys, is located well away from both these modelled features.

Geophysical Audio Magnetotelluric (AMT) Modelling

Selected 3D inversion modelling has been completed on the AMT data in an effort to properly resolve the geometry of the conductive body. The results show a strong magnetic feature located in the same area as the AMT phase anomaly. The AMT phase anomaly indicates the presence of a relatively strong conductive body in the bedrock located approximately 600m below the surface. This same AMT phase anomaly was also detected by previous moving loop ground EM surveys but the conductor's significance wasn't fully understood until all other recently completed geophysical survey results were compiled and interpreted.

Interestingly the results from these recent geophysical surveys including ground magnetics, gravity, fixed loop EM, AMT and 3D inversion modelling are all pointing to the one location as a good target for potential massive sulphide accumulation.

Fixed Loop Ground EM Surveying (FLEM)

Fresh fixed loop ground EM surveying was undertaken in areas not previously covered by existing ground EM work. One of the three loops laid out was positioned over a shallow AMT target that had been detected back in March. The shallow AMT target was located some 100m along strike to the SW from current diamond drilling.

The survey delineated an EM conductor located some 200m below surface. It has been modelled as a steep south-east 70 degree dipping body adjacent to the contact between the intrusion and the footwall mafic granulite (see Figure 3). The conductor plate T19C04 coincides with the AMT conductive zone and sits up-plunge from the 500-600m deep AMT phase anomaly.

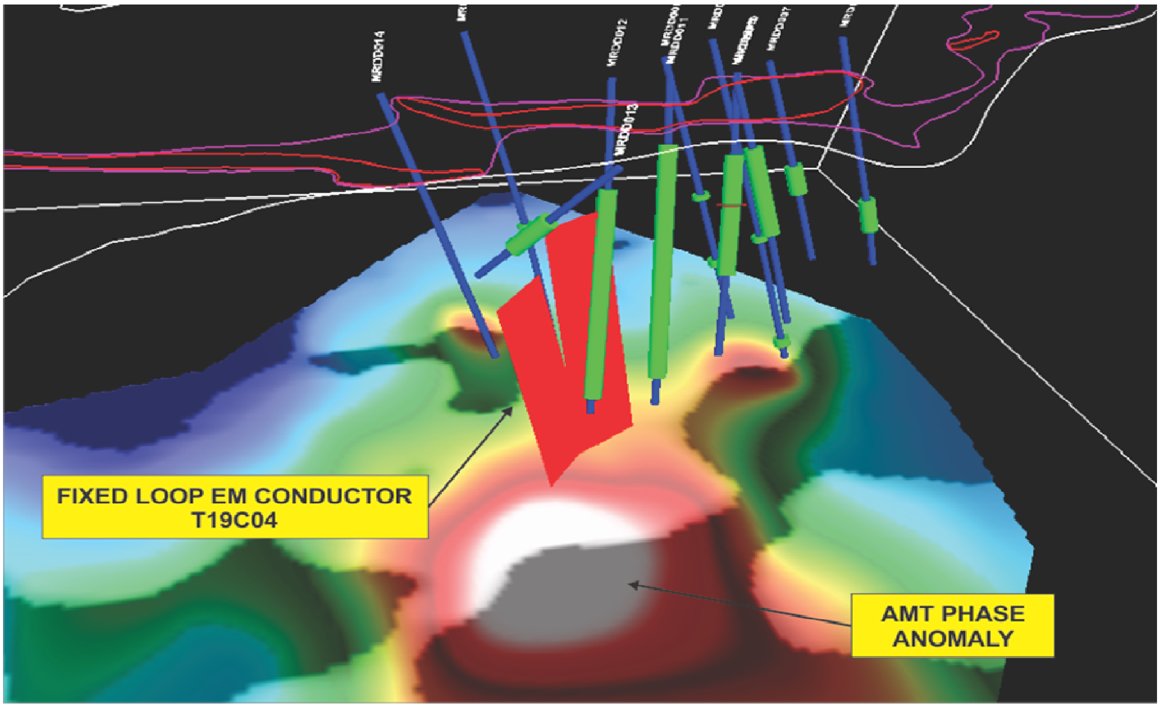

Figure 3 – 3D view of the location of new EM conductor T19C04 in relation to the new AMT phase anomaly which is located beneath T19C04 some 500-600m below surface. Hole MRDD012 is close to conductor T19C04 and encouragingly has drilled significant thicknesses of disseminated Ni-Cu sulphide mineralisation.

Ground Magnetic Survey

A detailed ground magnetic survey on 50m line spacing has been completed. The survey is designed to cover the area over the original AMT survey. The objective of the survey is to highlight areas of greater magnetism that could be associated with more concentrated nickel and copper sulphide mineralisation.

Preliminary results have revealed a bullseye magnetic anomaly adjacent to existing diamond drilling at Target 19 (see Figure 4). The magnetic anomaly is coincident with a major flexure of the intrusions SE contact at which point the contact has rolled over or overturned. If this flexure is a primary feature of the original mafic-ultramafic intrusive body, then it could form an ideal location for massive sulphide accumulation.

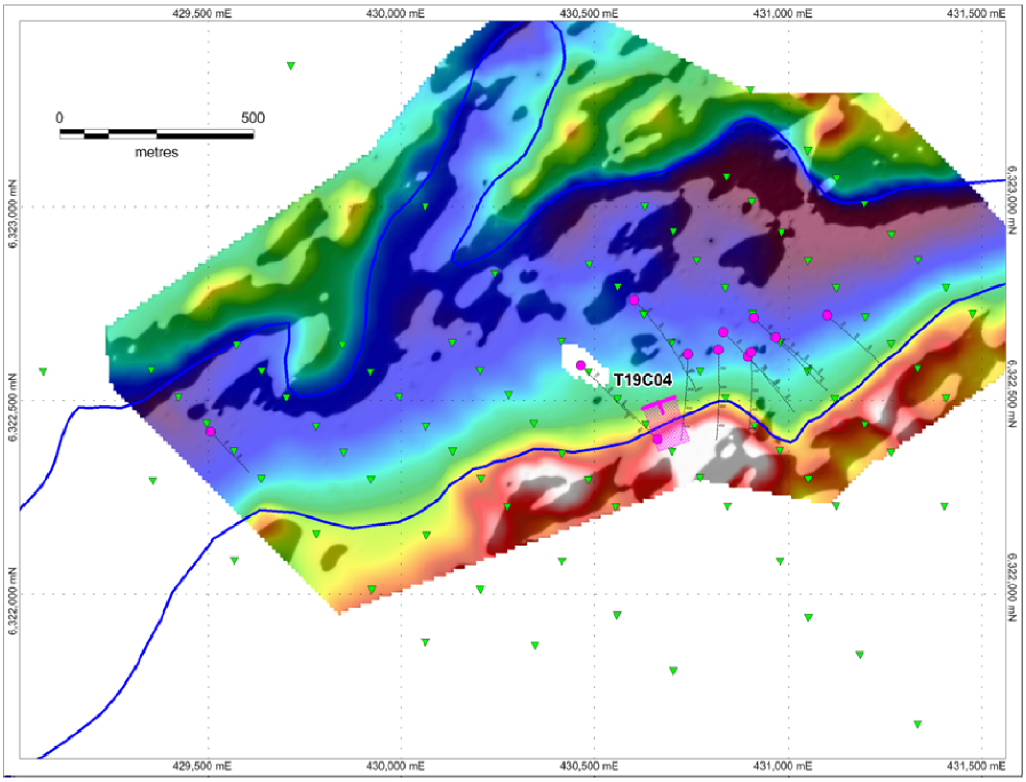

Figure 4 – Plan showing location of bullseye magnetic anomaly (white in colour) in relation to existing diamond holes, the flexure in the SE contact and the new fixed loop EM conductor T19C04.

Gravity Surveying

A regional gravity survey was undertaken in May to provide more data over the regional gravity trend which extends the whole length of the Mt Ridley project area. The survey consisted of 6 lines some 8-15km long, in a NW-SE orientation, conducted on existing tracks, grid lines and through virgin bush. The survey was designed to gain more clarity on the large high density anomaly that sits beneath the project on a regional scale and ascertain how close to the surface it might get.

Results have revealed a complex body made up two main high-density trends, one of which runs adjacent to Target 19.

The data suggests the region has seen significant injection into this portion of the crust of dense mafic to ultramafic magma, possibly feeding the intrusions. More detailed gravity surveying has been acquired in July on a 400m x 200m grid and covers an area from Target 2 all the way to Target 19 adjacent to new target zone. Data from this survey is being modelled at the time of writing.

Previous detailed gravity data collected by the Company over Target 19 was re-examined in light of the recent geophysical surveying. The data has shown a dense object adjacent to diamond holes MRDD010, MRDD011 and MRDD012 sitting right in the flexure of the SE contact (See Figure 5).

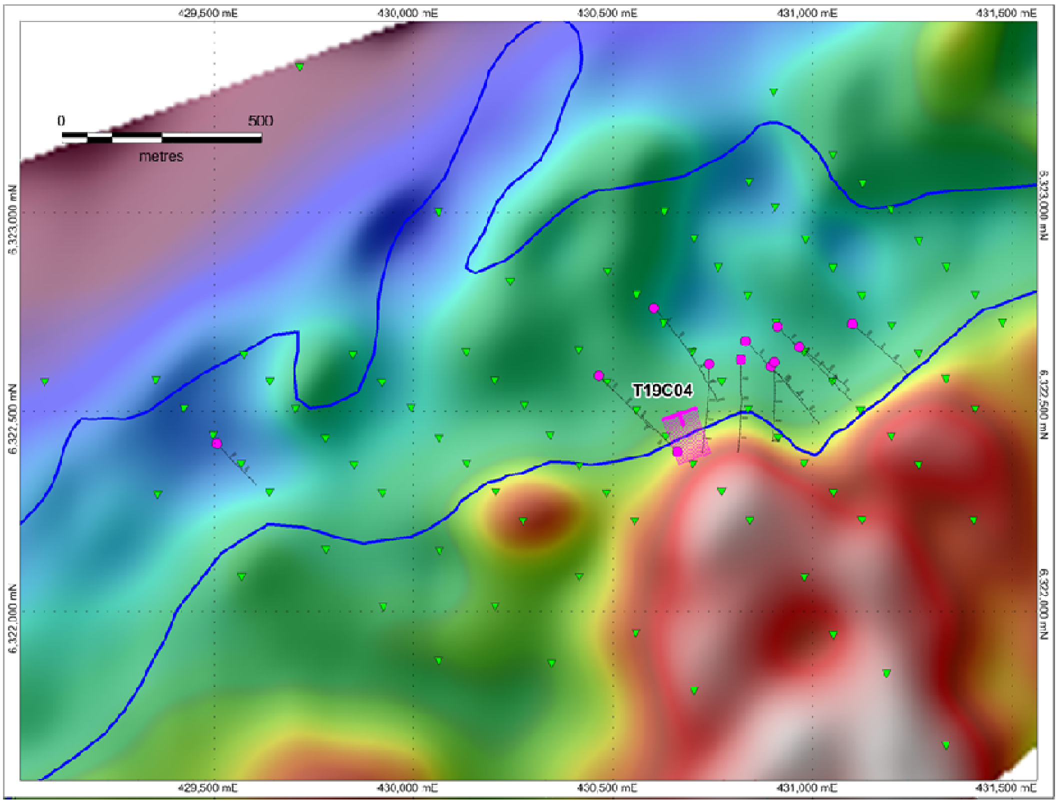

Figure 5 – Plan showing location of gravity anomaly (red-white in colour) in relation to existing diamond holes, the flexure in the SE contact and the new fixed loop EM conductor T19C04. The area is quite complex and made up of several gravity anomalies some of which will be related to the geology outside the intrusion.

Air core Drilling

Air core drilling was conducted over the first, second and the third quarters of the year for 354 holes for 16,385m averaging 46m. In Q1, the main coincident bedrock nickel-copper geochemical anomaly was located near the central axis of Target 19 positioned roughly over zones of coarse grained varitextured olivine gabbronorite defined by the recent air core and diamond drilling. The identified bedrock EM conductor T19C01 lies near the southern edge of the coincident bedrock nickel-copper geochemical anomaly adjacent to the SE contact of the intrusion. Some of the best copper results returned in this latest round of assays coincide with the up-dip projection of the EM conductor including MRAC226 which returned 2m @ 1060ppm copper at the bottom of hole. The highly elevated values of copper in MRAC226 suggest primary nickel and copper mineralisation is potentially nearby in the fresh rock beneath the hole.

Air core drilling was focused on the north-eastern portion of Target 19 during Q2 in the vicinity of conductor T19C01 where the olivine bearing intrusion is interpreted to be at its thickest. Some of the best copper results returned in this latest round of drilling coincide with the south-westerly along strike projection of the EM conductor, including MRAC338 and MRAC361 which returned 12m @ 1,400ppm nickel and 720ppm copper from 32m and 26m @ 1,800ppm nickel and 342ppm copper from 39m respectively at the bottom of hole.

Air core drilling conducted in Q3 was focused on infill over the western part of the coincident bedrock nickel-copper geochemical anomaly. This drilling infilled a zone of nickel and copper anomalism on 100x 25m pattern over bedrock conductor TC1903 identified in earlier drilling..

Diamond Drilling

10 diamond holes were drilled for 4,211m at an average depth of 421m.

MRDD005 intersected approximately 45m of lightly disseminated and globular to blebby sulphides from 126-171m downhole, hosted in a very coarse grained varitextured olivine gabbronorite.

Diamond holes MRDD006 and MRDD007 were drilled to intersect the bedrock conductor T19C01. Both holes intersected 4-6 metre thick zones of disseminated and globular sulphides in coarse grained varitextured olivine gabbronorite to olivine pyroxenite at 325 metres and 210 metres respectively downhole. MRDD008 was then drilled beneath MRDD005 and intersected several zones of disseminated and globular sulphides over 3-5 metres thick from 208 metres downhole hosted in coarse grained varitextured olivine gabbronorite (Figure 6). On review, previous reports of a massive sulphide fragment in pegmatite in MRDD008 have proven to be incorrect.

Diamond drilling continued during the December 2015 quarter which saw holes MRDD009 to MRDD011 completed for a total of 1,168 meters. MRDD010 intersected a discontinuous 170m thick plus zone of minor disseminated and globular to blebby sulphides from 110m-270m downhole including a 7cm thick stringer of semi-massive sulphides at 179m. Assay results from the stringer interval returned 1.10% nickel (Ni) and 0.55% copper (Cu). MRDD011 intersected a discontinuous 337 metre thick zone of minor disseminated and globular to blebby sulphides from 92 metres to 429 metres downhole including an almost continuous 96 metre thick zone from 203 metres to 299 metres downhole. This new zone is almost twice the thickness of the mineralisation intersected in hole MRDD010.Diamond hole MRDD012 was designed to test for extensions to the 337 metre thick zone of lightly disseminated and globular to blebby sulphides intersected in MRDD011 and also test the southern end of conductor T19C01 (See MRD ASX announcement, 11th January 2016).

MRDD012 intersected a discontinuous 230 metre thick zone of variably developed minor disseminated and globular to blebby sulphides from 146 metres to 376 metres downhole including an almost continuous 72 metre thick zone of minor disseminated and globular to blebby sulphides from 262 metres to 334 metres downhole.

The presence of nickel-copper sulphides in the varitextured olivine gabbronorites to pyroxenites is highly significant as confirmation that magmatic nickel-copper sulphide has formed. Due to the disseminated and sparse nature of the sulphides intersected in drilling to date, assay intervals are highly anomalous for nickel and copper, albeit at very low grades, the exception being the 7cm section of semimassive sulphide grading at 1.1% Ni and 0.55% Cu in MRDD010. Despite being low grade, the presence of such voluminous intersections of magmatic sulphide bearing varitextured gabbronorites and pyroxenites in the Target 19 corridor is seen as extremely positive for future exploration. The geochemical hurdle of forming magmatic sulphide within the mafic-ultramafic intrusive system delineated to date has been passed, it remains for further exploration to determine whether that formed magmatic sulphide has undergone any physical accumulation processes capable of forming any as yet undetected economic accumulations of nickel-copper sulphide.

FIGURE 6: Globular magmatic nickel-copper sulphides (pyrrhotite-chalcopyrite-pentlandite) within coarse grained varitextured olivine gabbronorite at around 206 metres downhole in MRDD008.

Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Tony Donaghy who is a Registered Professional Geoscientist (P.Geo) with the Association of Professional Geoscientists of Ontario (APGO), a Recognised Professional Organisation. Mr Donaghy is a technical advisor to the Company. Mr Donaghy has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Donaghy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Dividends paid or recommended

No dividends were paid or declared during the financial year. No recommendation for the payment of dividends has been made.

After balance date events

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than:

On 12 July 2016, 69,388,100 options exercisable at $0.025 on or before 30 June 2017 were issued pursuant to the placement on 18 April 2016 and 20,000,000 options on the same terms were issued to brokers pursuant to this placement.

On 14 July 2016, the Company received proceeds of $1,941,922 from the issue of shares relating to 92,472,496 options which were due to expire on 30 June 2016 but which were subject to an underwriting agreement as disclosed in Note 16.

On 19 July 2016, the Company provided an update on diamond hole MRDD015 at its 100% owned Mt Ridley Project in the Albany-Fraser Range Province. The hole was lost due to a drilling incident at around 650m depth downhole. The hole was designed to reach a final depth of 800m. The incident left the hole blocked making it impossible to conduct planned downhole EM surveying.

On 25 July 2016, the Company announced that a program of deep diamond drilling has re-commenced at a new replacement hole MRDD016 following the drilling incident in hole MRDD015. The new hole has been designed to test the AMT phase anomaly along with the down dip/plunge of thick widths of minor disseminated, globular and blebby nickel and copper sulphides. MRRDD016 had a designed depth of 750-800m and is expected to take several weeks to complete.

On 31 August 2016, the Company advised the appointment of Mr Ashley Hood as the Managing Director of the Company following the resignation of Messrs Dean Goodwin and Robert Downey. Mr Michael Pedley assumed the position of Non-Executive Chairman.

On 2 September 2016, the Company requested a voluntary suspension of its quoted fully paid ordinary shares from commencement of trading on 5 September 2016 until commencement of trading on 6 September 2016 to enable the Company further time to respond to an ASX Price Query. The suspension of trading in the securities of the Company was lifted on 6 September 2016.

Future development, prospects and business strategies

The Company has all intentions to continue with its exploration programmes on its package of highly prospective Mt Ridley tenements.

The Board may also consider acquiring further tenements or projects which they believe will add additional value to the Company and its shareholders. The nature of these would be in line with the Company's core exploration strategies with an emphasis on an economic discovery.

Diamond and air-core drilling with specific attention to high power electromagnetic surveys are currently ongoing and being planned.

Environmental issues

The Group is currently subject to and required to comply with all aspects of the environmental regulation for its exploration and mining activities. The Directors are not aware of any environmental law that is not being complied with. Furthermore, in the course of their natural activities, if so required, the Group will undertake to comply with all the required aspects of the applicable environmental regulations.

Greenhouse gas and energy data reporting requirements

The Group is not currently subject to the reporting requirements of either the *Energy Efficiency Opportunities Act 2006* or the *National Greenhouse and Energy Reporting Act 2007*.

Information on Directors

The names of the Directors in office at any time during or since the end of the year are:

Michael Pedley	*Non-Executive Chairman* (appointed Non-Executive Director on 5 November 2015 and Non-Executive Chairman on 31 August 2016)
Ashley Hood	*Managing Director* (appointed on 31 August 2016)
Guy Le Page	*Non-Executive Director* (appointed on 19 December 2012)
Keith Bowker	*Non-Executive Director* (appointed on 5 November 2015)
Robert Downey	*Non-Executive Chairman* (resigned on 31 August 2016)
Dean Goodwin	*Managing Director* (resigned on 31 August 2016)
Paul Fromson	*Non-Executive Director* (resigned on 5 November 2015)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. The Directors' details are disclosed on pages 23 to 25.

Company Secretary

Mr Keith Bowker held the position of company secretary of Mount Ridley at the end of the financial year. Mr Bowker is a founding director of Somerville Advisory Group, a company specialising in providing company secretarial, corporate governance and corporate advisory services.

Remuneration Report (audited)

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

This report outlines the remuneration arrangements in place for Key Management Personnel ("KMP") of the Group in accordance with the *Corporations Act 2001* and its regulations. These remuneration disclosures have been audited.

For the purposes of this report, KMP's of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly. The Group did not have any other KMP's other than its Directors and the Company Secretary. The Company does not have any employees and all directors and the company secretary are paid via consulting fees to their respective entities.

Remuneration Philosophy

The performance of the Group depends upon the quality of its Directors. To prosper, the Group must attract, motivate and retain highly skilled Directors.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre directors; and
- Link directors' rewards to shareholder value.

The Board as a whole is responsible for considering remuneration policies and packages appropriate to Directors of the Group. The Board remuneration policy is to ensure the remuneration package, which is not linked to the performance of the Group, properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior manager remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

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 may, from time to time, consider advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. Each Director receives a fee for being a Director of the Group.

Non-Executive Directors are encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the Company on whose Board he or she sits.

The remuneration of Executive Directors for the year ended 30 June 2016 is detailed below.

Executive Director Remuneration Structure

Based on the current stage in the Group's development, its size, structure and strategies, the Board considers that the key performance indicator in assessing the performance of Executive Directors ("Executives") and their contribution towards increasing shareholder value is share price performance over the review period.

Individual and Group operating targets associated with traditional financial and non-financial measures are difficult to set given the small number of Executives and their need to be flexible and multi-tasked, as the Group responds to a continually changing business environment. Consequently, a formal process of defining Key Performance Indicators (KPIs) and setting targets against the KPIs has not been adopted at the present time.

Remuneration consists of the following key elements:

Fixed remuneration;

Variable remuneration;

Short term incentives (STI); and

Long term incentives (LTI).

The proportion of fixed remuneration and variable remuneration is established for each Executive by the Board.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Group and individual performance, relevant comparable remuneration in the mining exploration industry and, from time to time, external advice. Executives receive their fixed remuneration in cash.

There are no fringe benefits at the present time.

Variable Remuneration – Short Term Incentive (STI)

The objective of the STI is to link the increase in shareholder value over the year with the remuneration received by the Executives charged with achieving that increase. The total potential STI available is set at a level so as to provide sufficient incentive to the Executives to achieve the performance goals and such that the cost to the Group is reasonable in the circumstances.

Annual STI payments granted to each Executive depend on their performance over the preceding year and are based on recommendations from the Managing Director following collaboration with the Board. Typically included are measures such as contribution to strategic initiatives, risk management and leadership/team contribution.

The aggregate of annual STI payments available for Executive is subject to the approval of the Board. Payments are usually delivered as a cash bonus. There were no STI payments during the financial year.

Variable Remuneration – Long Term Incentive (LTI)

The objective of the LTI plan is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance.

The level of LTI granted is, in turn, dependent on the Group's recent share price performance, the seniority of the Executive and the responsibilities the Executive assumes in the Group.

LTI granted to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options are issued in accordance with the Group's Share Option Plan.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time. However, under certain circumstances, including breach of employment conditions, the Directors may cause the options to expire prior to their vesting date. In addition, individual performance is more commonly rewarded over time through STIs.

Use of Remuneration Consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2016.

B. DIRECTORS AND OTHER KMP REMUNERATION

2016	Short-term employee benefits			Post- employment benefits		Share- based payments		
	Cash salary and fees (a)	Other	Non-monetary benefits	Super-annuati-on	Termination benefits	Ordinary Shares	Options	Total
	$	$	$	$	$	$	$	$
Non-Executive Directors								
Robert Downey	40,000	4,440(b)	-	-	-	-	-	**44,440**
Dean Goodwin	30,000	309,260(c)	-	-	-	-	-	**339,260**
Guy Le Page	32,500	44,400 (d)	-	-	-	-	-	**76,900**
Keith Bowker	20,000	80,680(e)	-	-	-	-	-	**100,680**
Michael Pedley (f)	20,000	-	-	-	-	-	-	**20,000**
Paul Fromson	10,000	99,000(g)	-	-	-	-	-	**109,000**
Sub-total Non-Executive Directors	**152,500**	**537,780**	**-**	**-**	**-**	**-**	**-**	**690,280**
Total KMP compensation	**152,500**	**537,780**	**-**	**-**	**-**	**-**	**-**	**690,280**

Notes

(a) Cash consulting fees paid and accrued during year.

(b) Legal fees paid to TDC Legal Pty Ltd (TDC). Mr Downey is a Principal of TDC. Mr Downey resigned on 31 August 2016.

(c) Consulting and geological fees paid to Reliant Resources Pty Ltd (Reliant). Mr Goodwin is a director of Reliant. Mr Goodwin resigned on 31 August 2016.

(d) Placement fees associated with RM Corporate Finance Pty Ltd (RM Corporate). Mr Le Page is a director of RM Corporate.

(e) Company secretarial and accounting fees as per an engagement with Somerville Advisory Group (Somerville). Mr Bowker is a director of Somerville. Mr Bowker was appointed as a director on 5 November 2015.

(f) Mr Pedley was appointed as director on 5 November 2015 and as non-executive Chairman on 31 August 2016.

(g) Consulting and administration fees paid to MBE Finance Pty Ltd (MBE Finance). Mr Fromson is a director of MBE Finance. Mr Fromson resigned on 5 November 2015.

2015	Short-term employee benefits			Post- employment benefits		Share- based payments		
	Cash salary and fees (a)	Other	Non-monetary benefits	Super-annuation	Termination benefits	Ordinary Shares (b) & (c)	Options	Total
	$	$	$	$	$	$	$	$
Non-Executive Directors								
Robert Downey	33,333	-	-	-	-	-	121,984	**155,317**
Dean Goodwin	288,263	-	-	-	-	52,000	121,984	**462,247**
Guy Le Page	25,000	-	-	-	-	97,500	-	**122,500**
Paul Fromson	172,696	-	-	-	-	-	133,479	**306,175**
Sub-total Non-Executive Directors	**519,292**	**-**	**-**	**-**	**-**	**149,500**	**377,447**	**1,046,239**
Executive Directors								
Gordon Sklenka	-	-	-	-	-	92,950	-	**92,950**
Roland Berzins	-	-	-	-	-	78,943	-	**78,943**
Sub-total Executive Directors	**-**	**-**	**-**	**-**	**-**	**171,893**	**-**	**171,893**
Other KMP								
Keith Bowker	51,220	-	-	-	-	-	60,992	**112,212**
Sub-total Other KMP	**51,220**	**-**	**-**	**-**	**-**	**-**	**60,992**	**112,212**
Total KMP compensation	**570,512**	**-**	**-**	**-**	**-**	**321,393**	**438,439**	**1,330,344**

Notes

(a) Cash consulting fees paid and accrued during year.

(b) Director Guy Le Page and former directors Gordon Sklenka and Roland Berzins were owed directors' fees at 30 June 2014 of $30,000, $28,600 and $24,290 respectively. Shareholders approved the payment of these fees via shares at a deemed price of $0.004. However, at the time of shareholder approval the share price had improved markedly and in accordance with accounting standards the increased value of the shares issued was booked as an expense.

(c) Director Dean Goodwin was paid a sign on fee in the form of 4,000,000 ordinary shares. Shareholder approval was obtained and the value recorded above is the market value of the shares at the time of shareholder approval.

C. SERVICE AGREEMENTS

There are no specific KMP contracts with the individual Directors. Director fees and consulting fees are based on shareholder approval, director fee structure and corporate governance procedures. Consulting fees for directors are based on daily rates for actual days worked. There are no retainers or fixed periods of consultancy in place for directors.

D. EQUITY HELD BY KEY MANAGEMENT PERSONNEL

Ordinary Shares Current Year

	Balance 01.07.15	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.06.16
Directors					
Robert Downey*	10,000,000	-	-	-	10,000,000
Dean Goodwin*	54,000,000	-	-	-	54,000,000
Guy Le Page	31,846,729	-	-	-	31,846,729
Keith Bowker**	-	-	-	1,323,750	1,323,750
Michael Pedley***	-	-	1,282,584	7,995,167	9,277,751
Paul Fromson****	25,000,000	-	-	(25,000,000)	-
Total	**120,846,729**	**-**	**1,282,584**	**(15,681,083)**	**106,448,230**

* Resigned on 31 August 2016.
** Appointed 5 November 2015. Amount in 'Net Change Other' represents balance held on appointment.
*** Appointed on 5 November 2015. Amount in 'Net Change Other' consists of 6,895,167 held on appointment and 1,100,000 on market acquisition.
**** Resigned on 5 November 2015. Amount in 'Net Change Other' represents balance held at resignation.

Ordinary Shares Prior Year

	Balance 01.07.14	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.15
Directors					
Robert Downey	-	-	-	10,000,000	10,000,000
Dean Goodwin	-	4,000,000	-	50,000,000	54,000,000
Guy Le Page	5,000,000	-	-	26,846,729	31,846,729
Paul Fromson	-	-	-	25,000,000	25,000,000
Gordon Sklenka **	30,427,145	-	-	(30,427,145)	-
Roland Berzins **	17,274,285	-	-	(17,274,285)	-
Other KMP					
Keith Bowker	-	-	-	1,323,750	1,323,750
Total	**52,701,430**	**4,000,000**	**-**	**65,469,049**	**122,170,479**

* Net change other refers to shares purchased or sold during the financial year or acquired for services provided.
** Balances as disclosed by directors at time of resignation.

D. EQUITY HELD BY KEY MANAGEMENT PERSONNEL (continued)

Options
Current Year

	Balance 01.07.15	Granted as Remuneration	Other Changes	Vested and Exercisable at 30.06.16
Directors				
Robert Downey*	20,000,000	-	-	20,000,000
Dean Goodwin*	60,000,000	-	-	60,000,000
Guy Le Page	11,402,917	-	-	11,402,917
Keith Bowker**	5,000,000	-	-	5,000,000
Michael Pedley***	-	-	5,000,000	5,000,000
Paul Fromson****	35,000,000		(35,000,000)	-
Total	**131,402,917**	**-**	**(30,000,000)**	**101,402,917**

* Resigned on 31 August 2016.
** Appointed on 5 November 2015.
*** Appointed on 5 November 2015. Amount in ‘Net Change Other’ consists of 6,250,000 held on appointment and 1,250,000 exercised.
**** Resigned on 5 November 2015. Amount in ‘Net Change Other’ represents balance held at resignation.

Options
Prior Year

Directors	Balance 01.07.14	Granted as Remuneration	Other Changes*	Vested and Exercisable at 30.06.15
Robert Downey	-	10,000,000	10,000,000	20,000,000
Dean Goodwin	-	10,000,000	50,000,000	60,000,000
Guy Le Page	2,500,000	-	8,902,917	11,402,917
Paul Fromson	-	10,000,000	25,000,000	35,000,000
Other KMP				
Keith Bowker	-	5,000,000	-	5,000,000
Total	**2,500,000**	**35,000,000**	**93,902,917**	**131,402,917**

* The Options acquired by Mr Downey, Mr Goodwin and Mr Fromson under other changes were acquired as one for two free attaching Options issued pursuant to a share placement.

E. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Share Based Payments

No share and option based payments were made to Key Management Personnel during the financial year ended 30 June 2016 (2015: refer to breakdown below).

	2016	2015
	Number	Number
Shares		
Issued to director Dean Goodwin (or nominee) as sign on fee.	-	4,000,000
Issued to director Guy Le Page (or nominee) in lieu of directors fees owing.	-	7,500,000
Issued to former director G Sklenka (or nominee) in lieu of directors fees owing.	-	7,150,000
Issued to former director R Berzins (or nominee) in lieu of directors fees owing.	-	6,072,500
Issued to Edwards Motors Pty Ltd (or nominee) a related party of former director R Berzins, in lieu of loan payable.	-	13,542,500
Issued to RM Corporate Finance Pty Ltd, a related party of director G Le Page in satisfaction of a mandate fee.	-	37,500,000
Total		**75,765,000**
Options		
Issued to director Dean Goodwin as incentive options.	-	10,000,000
Issued to director Robert Downey as incentive options.	-	10,000,000
Issued to director Paul Fromson as incentive options.	-	10,000,000
Issued to company secretary Keith Bowker as incentive options.	-	5,000,000
Total		**35,000,000**

Goods or Services Provided by Key Management Personnel

During the year, the following goods or services were provided by Key Management Personnel or their related parties, the values of which are disclosed in the aggregate remuneration in section B above.

- Reliant Resources Pty Ltd, a company related to Mr Goodwin - $339,260 (2015: $288,263) for consulting services and geological fees and director fees.
- TDC Legal Pty Ltd, a company related to Mr Downey - $4,440 (2015: $nil) for legal fees.
- Somerville Advisory Group, a company related to Mr Bowker - $80,680 (2015: $51,220) for company secretarial and accounting fees.
- Quantum Vis Pty Ltd, a company related to Mr Downey - $40,000 (2015: $33,333) for director fees.
- Orequest Pty Ltd, a company related to Mr Le Page - $32,500 (2015: $25,000) for director fees.
- The Bowker Investment Trust, for which Mr Bowker is a trustee - $20,000 (2015: nil) for director fees.
- Odyssey Tax and Accounting, a company related to Mr Pedley - $20,000 (2015: nil) for director fees.
- MBE Finance Pty Ltd, a company related to Paul Fromson - $109,000 (2015: $172,696) for consulting services.

END OF AUDITED SECTION

Directors' Particulars

Mr. Michael Pedley **Non-Executive Chairman - appointed on 5 November 2015**

Experience

Mr Pedley is a Chartered Accountant of Australia and New Zealand with over 20 years of public practice experience. Mr Pedley is the Managing Director of Odyssey Tax & Accounting which provides a broad range of accounting and tax services to business clients and individuals. Mr Pedley has significant accounting, corporate and business management experience and is a consultant to several listed and non-listed companies. Mr Pedley was appointed to the role of Non-Executive Chairman on 31 August 2016.

Other directorships

Mr Pedley is not currently a director of any other ASX listed entities and has not held any directorships in ASX listed entities in the last 3 years.

Mr. Ashley Hood **Managing Director - appointed 31 August 2016**

Experience

Mr Hood has more than 15 years' experience in the mining industry working in mine and explorations for junior and large mining companies based in Australia and throughout the pacific including New Zealand. He has broad senior management experience having held a number of ASX appointed board positions while working on some of Australia's major JORC resources. Mr Hood predominately specialises in project/people management, native title negotiations, logistics, project diligence/acquisitions and has personally held and managed a number of his own exploration projects. Mr Hood was responsible for the Mount Ridley farm-in agreement while he was Managing Director of XTL Energy International Ltd.

Other directorships

Nil

Other directorships in the last three years:

Zinc of Ireland NL (resigned December 2013)

Victory Mines Limited (resigned May 2016)

Mr. Guy Le Page **Non-Executive Director - appointed on 19 December 2012**

Experience

Mr Le Page is currently a Director & Corporate Adviser of RM Corporate Finance specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles.

Mr Le Page was Head of Research at Morgan Stockbroking Limited (Perth) prior to joining Tolhurst Noall as a Corporate Advisor in July of 1998. As Head of Research, Mr Le Page was responsible for the supervision of all Industrial and Resources Research. As a Resources Analyst, Mr Le Page published detailed research on various mineral exploration and mining companies listed on the Australian Securities Exchange. The majority of this research involved valuations of both exploration and production assets.

Prior to entering the stockbroking industry, he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology, and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.

Mr Le Page holds a Bachelor of Arts, a Bachelor of Science and a Masters' Degree in Business Administration from the University of Adelaide, a Bachelor of Applied Science (Hons) from the Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Other directorships	Mr Le Page is currently a director of: Tasman Resources Limited (since 2 June 2001) Eden Energy Ltd (3 February 2006) Conico Limited (since 30 March 2006) *Other directorships in the last three years:* Palace Resources Limited (resigned 9 March 2015) Red Sky Energy Limited (resigned 2 February 2015) Pointerra Limited (resigned 1 July 2016)
Mr. Keith Bowker	**Non-Executive Director - appointed 5 November 2015**
Experience	Mr Bowker is a Chartered Accountant of Australia and New Zealand and is a founding director of Somerville Advisory Group, a firm which specialises in providing financial reporting, compliance, corporate advisory services and company secretarial services to ASX listed companies predominately in the resources and bio-technology sector.
Other directorships	Mr Bowker is currently a director of: Caeneus Minerals Ltd *Other directorship in the last three years:* Zinc of Ireland NL (resigned 22 July 2016)
Mr. Robert Downey	**Non-Executive Chairman – resigned on 31 August 2016**
Experience	Mr. Downey is a barrister and solicitor of the Supreme Court of Western Australia. He commenced work with Phillips Fox in the areas of energy, corporate law and mining. In 2001 he joined law firm Blakiston & Crabb specialized in advising oil and gas and mining companies in relation a range of legal issues, including IPO's, mergers and acquisitions and general AIM, ASX and ASX Listing Rule advice. Mr. Downey established an independent corporate advisory firm during 2005 and was involved with the IPO listings of various mining and oil and gas companies on ASX and at the same time held directorships of a number of these companies. In October 2012, Mr. Downey in conjunction with two former colleagues established Thompson Downey Cooper and now specialises as a corporate resource lawyer.
Other directorships	Mr. Downey is currently a director of: Kairiki Energy Limited (since 13 February 2013) Minrex Resources NL (since 8 September 2014) *Other directorships in the last three years:* Nil

Mr. Dean Goodwin **Managing Director – resigned on 31 August 2016**

Qualifications: BAppSc (Geology), MAIG

Experience: Mr. Goodwin is a geologist with over 25 years exploration experience which has included acting as Head of Geology at Focus Minerals Limited and a six year period as Managing Director of Barra Resources Ltd (2004-2010).

Mr. Goodwin also spent 6 years as an exploration geologist with Western mining Corporation Ltd and was involved discovering the Intrepid, Redoubtable & Santa Anna gold deposits at Lake Lefroy with WMC. Whilst with WMC he worked closely with the nickel exploration team.

In 1994, he joined Resolute Ltd as Senior Exploration Geologist, spending 5 years in Kalgoorlie managing exploration for Chalice, Higginsville, Bullabulling and Bulong projects. In 1999, Mr. Goodwin was appointed as Senior Exploration Geologist with LionOre Limited and whilst at the Bounty Gold Mine operations, he was responsible for the discovery of several small gold deposits. More recently, he has been working as an independent contract geologist exploring for nickel sulphides throughout Western Australia.

Mr. Goodwin qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Other directorships: Mr. Goodwin is currently a director of:

Goldphyre Resources Limited (since 23 July 2014)

Other directorships in the last three years:

Nil

Mr. Paul Fromson **Non-Executive Director – resigned on 5 November 2015**

Experience: Mr. Fromson is a finance professional with extensive experience in ASX companies since 1994. He has held a variety of senior positions including Company Secretary, CFO and Director with exploration and mining companies.

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr Michael Pedley – appointed 5 November 2015
- Mr Keith Bowker – appointed 5 November 2015
- Mr Ashley Hood – appointed 31 August 2016
- Mr Dean Goodwin – resigned 31 August 2016
- Mr Robert Downey – resigned 31 August 2016
- Mr Paul Fromson – resigned 5 November 2015.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 4 board meetings were held.

Directors	Number eligible to attend	Number attended
R Downey	4	4
D Goodwin	4	4
G Le Page	4	4
K Bowker*	2	2
M Pedley*	2	2
P Fromson**	1	1

* Appointed 5 November 2015
** Resigned 5 November 2015

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary, Mr Keith Bowker, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits the disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an office or auditor.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Shares under option or issued on exercise of options

At the date of this report, unissued ordinary shares or interests in the Company under option are:

Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
7,500,000	Ordinary	$0.015	31 December 2016
5,201,982	Ordinary	$0.021	31 December 2016
89,388,100*	Ordinary	$0.025	30 June 2017
5,000,000	Ordinary	$0.070	31 March 2018
10,000,000	Ordinary	$0.021	31 August 2018
275,000,000	Ordinary	$0.0125	31 August 2019

On 29 June 2016, 1,282,584 options exercisable at $0.021 were exercised and on 30 June 2016, the Company received funds from optionholders from the exercise of a further 714,286 options (see note 14).

On 30 June 2016, 1,785,714 options exercisable at $0.07 expired and 92,472,496 options exercisable at $0.021 expiring on 30 June 2016 were fully underwritten pursuant to an underwriting agreement with Barclay Wells Limited (refer to ASX announcement dated 29 June 2016 and note 16). On 14 July 2016, 92,472,496 options were exercised and proceeds of $1,941,922 (before costs) were received.

* On 12 July 2016, 69,388,100 options exercisable at $0.025 on or before 30 June 2017 were issued pursuant to the placement on 18 April 2016 and 20,000,000 options on the same terms were issued to brokers pursuant to the same placement.

Auditor

The Company's auditor is HLB Mann Judd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 61.

Non-audit services

The Group's auditors did not provide non-audit services during the financial year.

Corporate Governance

The Directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. The Company's Corporate Governance Statement and its compliance with ASX guidelines can be found on the Company website at www.mtridleymines.com.au .The policies and compliance as stated were in place for the whole year and are current as at the date of this report.

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

Ashley Hood
Managing Director
Perth, 30 September 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2016

	NOTE	CONSOLIDATED 2016 $	2015 $
Revenue	4	18,503	22,597
Consulting expenses		(284,074)	(191,923)
Depreciation	11	(13,354)	(2,644)
Exploration expenses	11	(2,349,329)	(2,074,973)
Compliance and regulatory expenses		(98,507)	(81,072)
Loss on investments		-	(223,251)
Reserves written off		-	(81,007)
Loans written off		-	(122,952)
Share option expense		-	(438,439)
Directors' fees		(152,500)	(316,982)
Administration expenses		(94,312)	(163,680)
Loss from continuing operations before income tax expense		(2,973,573)	(3,674,326)
Income tax benefit (R&D rebate received)	5	905,062	-
Net loss for the year		**(2,068,511)**	**(3,674,326)**
Other comprehensive income			
Items that have been reclassified to profit or loss:			
Reclassification adjustment relating to investments disposed of		-	124,616
Other comprehensive income net of tax		-	124,616
Total comprehensive loss for the year		**(2,068,511)**	**(3,549,710)**
Basic and diluted loss per share (cents per share)	26	(0.24)	(0.61)

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position as at 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Current Assets			
Cash and cash equivalents	7	942,671	1,369,598
Trade and other receivables	8	177,885	136,550
Total Current assets		**1,120,556**	**1,506,148**
Non-Current Assets			
Other assets	9	15,708	15,708
Exploration and evaluation expenditure	10	786,804	781,648
Property, plant and equipment	11	72,815	76,679
Total Non-Current Assets		**875,327**	**874,035**
Total Assets		**1,995,883**	**2,380,183**
Current Liabilities			
Trade and other payables	12	165,690	312,014
Unissued shares	14	15,000	-
Total Current Liabilities		**180,690**	**312,014**
Total Liabilities		**180,690**	**312,014**
Net Assets		**1,815,193**	**2,068,169**
Equity			
Issued capital	13	21,017,352	19,201,817
Reserves	15	905,779	905,779
Accumulated losses	17	(20,107,938)	(18,039,427)
Total Equity		**1,815,193**	**2,068,169**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2016

	Issued Capital $	Share Options Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2015	**19,201,817**	**905,779**	**(18,039,427)**	**2,068,169**
Loss attributable to members of parent entity	-	-	(2,068,511)	(2,068,511)
Issue of ordinary shares	1,946,696	-	-	1,946,696
Capital raising costs	(131,161)	-	-	(131,161)
Balance at 30 June 2016	**21,017,352**	**905,779**	**(20,107,938)**	**1,815,193**

	Issued Capital $	Share Options Reserve $	Accumulated Losses $	Financial Assets Reserve $	Total $
Balance at 1 July 2014	**14,301,821**	**15,000**	**(14,365,101)**	**(124,616)**	**(172,896)**
Loss attributable to members of parent entity	-	-	(3,674,326)	-	(3,674,326)
Share capital issued during year	4,276,375	-	-	-	4,276,375
Shares issued on conversion of notes	20,370	-	-	-	20,370
Share based payments	1,228,695	-	-	-	1,228,695
Options exercised	71,749	-	-	-	71,749
Share issued to exercise option over tenement	414,285	-	-	-	414,285
Options issued (Note 16)	-	890,779	-	-	890,779
Movement in reserves	-	-	-	124,616	124,616
Capital raising costs	(1,111,478)	-	-	-	(1,111,478)
Balance at 30 June 2015	**19,201,817**	**905,779**	**(18,039,427)**	**-**	**2,068,169**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 June 2016

	NOTE	CONSOLIDATED 2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(845,146)	(708,350)
Payments for exploration activities		(2,312,226)	(1,836,869)
Research and development refund received		905,062	-
Interest received		16,230	19,597
Interest paid		-	(30,304)
Net cash used in operating activities	**19(b)**	**(2,236,080)**	**(2,555,926)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for fixed assets		(18,145)	(79,323)
Tenement acquisition costs		(10,737)	(34,505)
Proceeds from sale of available for sale financial assets		-	23,066
Proceeds from sale of property, plant and equipment		7,500	-
Net cash used in investing activities		**(21,382)**	**(90,762)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of loans		-	(144,700)
Payment of security bond		-	(15,708)
Proceeds from capital raising		1,946,696	4,348,124
Proceeds from equity instruments yet to be issued		15,000	-
Payment of capital raising costs		(131,161)	(171,638)
Net cash provided by financing activities		**1,830,535**	**4,016,078**
Net (decrease)/increase in cash held		**(426,927)**	**1,369,390**
Cash and cash equivalents at the beginning of the financial year		1,369,598	208
Cash and cash equivalents at the end of the financial year	**19(a)**	**942,671**	**1,369,598**

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Corporate Information

The annual report of Mount Ridley Mines Limited ("Mount Ridley" or "the Company") for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

The consolidated financial statements of Mount Ridley Mines Limited as at, and for the year ended, 30 June 2016 comprises the Company and its subsidiaries (together referred to as "the Group")

Mount Ridley Mines Limited is an ASX listed pubic company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Mount Ridley Mines Limited, have not been presented within this annual report as permitted by amendments made to the Corporations Act 2001.

The principal activity of the Group is exploration for minerals.

The address of the registered office is Suite 1, 56 Kings Park Road, West Perth, WA 6005.

The Parent Entity's summarised financial information is disclosed separately in note 22.

2. Summary Of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Historical cost convention

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current basis, financial assets and financial liabilities.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(v).

Going concern

This report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the year ended 30 June 2016 of $2,068,511 (2015: $3,674,326) and experienced net cash outflows from operations of $2,236,080 (2015: $2,555,926). As at 30 June 2016, the Group had net assets of $1,815,193 (2015: $2,068,169).

The Group also received proceeds from the issue of shares subsequent to balance date upon the exercise of unlisted options which were the subject of an underwriting agreement in the amount of $1,941,922.

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

a) Basis of preparation (continued)

Going concern (continued)

The Directors recognise that the ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the Group to secure additional funding through either the issue of further shares and/or options, convertible notes or entering into negotiations with third parties regarding the sale and/or farm out of assets of the Group or a combination thereof.

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

The Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of going concern basis of accounting is appropriate.

b) Comparison and changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in previous years. Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

c) Foreign currency translation

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and Balances

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

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

Group Companies

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

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

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

c) Foreign currency translation (cont'd)

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in Other Comprehensive Income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

d) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in profit and loss as incurred.

Depreciation is calculated on diminishing value basis using the following depreciation rates:

Software	– 40.0%
Equipment	– 33.3%
Furniture & Fittings	– 10.0%
Exploration assets	– 33.3%
Motor Vehicles	– 20.0%

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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

e) Exploration and evaluation expenditure

It is the Group's policy to capitalise the cost of acquiring rights to explore areas of interest. All other exploration expenditure is expensed to the consolidated statement of profit or loss and other comprehensive income.

The costs of acquisition are carried forward as an asset provided rights to tenure are current, and one of the following conditions are met:

- Such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence of otherwise of recoverable reserves, and active and significant operations in relation to the area 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.

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

f) Recoverable amount and impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment and exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

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

g) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the statement of financial position.

h) Trade and other receivables

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

Collectability of trade and other 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 debts.

i) Trade and other payables

Trade payables and other payables are carried at amortised cost. They 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. The amounts are unsecured and usually paid within 30 days of recognition.

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

j) Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. If the effect of the time value of money is material, provisions are discounted using a current 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.

k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the inception of the lease at the fair value of the leased property 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 charged directly to the statement of profit or loss and other comprehensive income.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

l) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

m) Share based payment transactions

The Group may provide benefits to employees (including directors) in the form of share-based payment transactions, 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 at the date at which they are granted. The fair value is determined by using a Black Scholes model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Mount Ridley Mines Limited (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 ("the vesting period"), ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

At each subsequent reporting date until vesting, the cumulative charge to the statement of profit or loss and other comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being meet; and (iii) the expired portion of the vesting period.

The charge to the statement of profit or loss and other comprehensive income for the year is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

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. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of loss per share.

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

n) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

o) Loss per share

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

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

- cost of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discriminatory changes in revenues or expenses during the year 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.

p) Income tax

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

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

- except where the deferred income tax liability 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
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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 assets and unused tax losses can be utilised:

- except where 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
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

p) Income tax *(cont)*

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

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

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

q) GST

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

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

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

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

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

(r) Employee benefits

(i) Wages, salaries, annual leave and sick leave

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

(ii) Long service leave

The liability for long service leave is recognised 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 periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

During the financial years 2016 and 2015, no long service leave entitlement provision was made, based on the limited length of service of the Group's employees.

(iii) Superannuation

Contributions made by the Group to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

(s) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the entities controlled by the Mount Ridley Mines Limited at the end of the reporting period.

A controlled entity is any entity Mount Ridley Mines Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Details of controlled entities are at note 27 to the financial statements. The controlled entities have a 30 June financial year end. Where controlled entities have entered or left the Group during the year, the financial performance of these entities is included only for the period of the year that they were controlled.

All inter-Group balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

(t) Financial instruments

Recognition and Initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for the financial assets that are delivered within timeframes established by market place convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as fair value through profit and loss. Transaction costs related to instruments classified at fair value through profit and loss are expensed to profit and loss immediately. Financial instruments are classified and measured as set out below:

Derecognition

Financial assets are derecognised where the contractual rights to receive cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the assets. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference in the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non cash assets and liabilities assumed, is recognised in the profit and loss.

Financial Assets at Fair Value through Profit and Loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial instruments.

Realised and unrealised gains and losses arising from changes in fair value of these assets are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Loans and Receivables

Loans and receivables are non - derivative financial assets with fixed or determined payments what are not quoted on an active market and are stated at amortised cost using the effective interest rate method.

Held to Maturity Assets

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held to maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

Available for Sale Financial Assets

Available for sale financial assets include any assets not included in the above categories. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised costs, comprising original debt less principal repayments and amortisation.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. For the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Exchange differences arising from translation of foreign operations are transferred directly to the Group's foreign translation reserve in the statement of financial position. These differences are recognised in the income statement for the period.

During 2016 and 2015 financial years, the Group had no exposure to foreign currency transactions and balances.

(u) Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management.

Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) 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, joint venture or some other means.

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes which would impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation acquisition costs are 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 acquisition costs are capitalised if the 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 that 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.

Such capitalised expenditure is carried at 30 June 2016 at $786,804 (2015: $781,648).

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

(ii) Taxation

Balances disclosed in the financial statements and the notes related to taxation, are based on the best estimates of Directors and take into account the financial performance and position of the Group as they pertain to current income tax legislation, and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the best estimate, pending assessment by the tax authorities.

(iii) Share Based Payments

Share-based payment transactions, in the form of options are valued using the pricing models. Models use assumptions and estimates as inputs.

(iv) Depreciation Method

The Company reviewed its depreciation method at the beginning of the financial year and adopted the diminishing value method to calculate depreciation of plant and equipment. The change in the depreciation method has been accounted on a prospective basis.

(v) Application of New and Revised Accounting Standards

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied one amendment to AASBs issued by the Australian Accounting Standards Board (AASB) that is mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year.

AASB 2015-4 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The application of this amendment does not have any material impact on the disclosures of the amounts recognised in the Group's consolidated financial statements.

Standards and Interpretations issued but not yet adopted

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017

Notes to the Consolidated Financial Statements *(cont'd)*

2. Summary Of Significant Accounting Policies *(cont'd)*

Standards and Interpretations issued but not yet adopted (cont'd)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

The Directors have not yet quantified the effect (if any) of application on future periods.

3. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, cash and short-term investments. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. 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 rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

	Consolidated	
	2016	2015
	$	$
Financial assets		
Cash and cash equivalents	942,671	1,369,598
Trade and other receivables	72,929	136,550
Other assets	15,708	15,708
	1,031,308	**1,521,856**
Financial liabilities		
Trade and other payables	165,690	312,014
	165,690	**312,014**

Notes to the Consolidated Financial Statements *(cont'd)*

3. Financial Risk Management Objectives and Policies *(cont'd)*

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 and financial liability are disclosed in note 2 to the financial statements.

Risk Exposures and Responses

(a) Interest rate risk exposure

The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, for the variable interest rate variances.

During 2016 and 2015, interest earned from the Group's cash balances was not significant.

(b) Credit risk exposure

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets.

The Group trades only with recognised, credit worthy third parties and as such, based upon the credit worthiness of the third party and or the magnitude of the transaction, collateral may or may not be requested.

Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meetings its obligations related to financial liabilities.

The Group manages liquidity risk by continually:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

(d) Capital Management

- The Group's capital risk management objectives are to safeguard the Group's ability to continue as a going concern, in order to provide for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital (being equity and corporate debt).
- The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.
- In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets.

Notes to the Consolidated Financial Statements *(cont'd)*

3. Financial Risk Management Objectives And Policies *(cont'd)*

Risk Exposures and Responses *(cont)*

(e) Foreign exchange risk

The Group has withdrawn from its international operations and thus is not significantly exposed to foreign exchange risk.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

(f) Fair values

The fair values of financial assets and financial liabilities as presented in the table below have been determined in respect of financial assets and financial liabilities, with reference to the carrying amount of such assets and liabilities in the consolidated statement of financial position, determined in accordance with the accounting policies disclosed in note 2 to the financial statements. The valuation of all financial assets and liabilities other than available for sale assets, which has been based on closing quoted bid prices at the end of the reporting period, has been based on inputs other than quoted prices.

Financial liability and financial asset maturity analysis at fair value

2016 Consolidated	Weighted Average effective interest rate %	Within 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities due for payment					
Trade and other payables	-	165,690	-	-	165,690
Total expected outflows		**165,690**	**-**	**-**	**165,690**
Financial assets - cash flows realisable					
Cash and cash equivalents	2.5%	942,671	-	-	942,671
Trade and other receivables		72,929	-	-	72,929
Total anticipated inflows		**1,015,600**	**-**	**-**	**1,015,600**
Net inflow on financial instruments		**849,910**	**-**	**-**	**849,910**

Notes to the Consolidated Financial Statements *(cont'd)*

3. Financial Risk Management Objectives and Policies *(cont'd)*

Risk Exposures and Responses *(cont'd)*

(f) Fair values *(cont'd)*

2015 Consolidated	Weighted Average effective interest rate %	Within 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities due for payment					
Trade and other payables	-	312,014	-	-	312,014
Total expected outflows		**312,014**	**-**	**-**	**312,014**
Financial assets - cash flows realisable					
Cash and cash equivalents	2.5%	1,369,598	-	-	1,369,598
Trade and other receivables	-	136,550	-	-	136,550
Total anticipated inflows		**1,506,148**	**-**	**-**	**1,506,148**
Net inflow on financial instruments		**1,194,134**	**-**	**-**	**1,194,134**

4. Revenue

	Consolidated 2016 $	Consolidated 2015 $
Interest income	16,230	19,597
Rental income	-	3,000
Other	2,273	-
	18,503	**22,597**

Notes to the Consolidated Financial Statements *(cont'd)*

5. Income Tax Benefit

		Consolidated 2016 $	Consolidated 2015 $
(a)	**The components of income tax benefit comprise:**		
	Current tax benefit	(905,062)	-
	Deferred tax	-	-
(b)	**Numerical reconciliation between the tax benefit and pre-tax net loss**		
	Net Loss before tax	**(2,973,573)**	**(3,674,326)**
	Prima facie income tax (benefit) calculated at 30% of (loss) (2015: 30%)	(892,072)	(1,102,298)
	Effect of expenses that are not deductible	658,622	198,127
	Effect of deductible capitalised expenditure	(696,889)	(134,637)
	Effect of unused tax losses not recognised as deferred tax assets	930,339	1,038,808
	Effect of tax concessions (research and development rebate)	(905,062)	-
	Income tax benefit recognised in statement of comprehensive income	(905,062)	-
(c)	**Unused tax losses for which no deferred tax asset has been recognised**	13,012,517	13,573,363
	Potential tax benefit at 30 % (2015 30%)	3,903,755	4,072,009

The net deferred tax assets arising from these balances have not been recognised as an asset because recovery is not probable at this point in time. The recoupment of available tax loses as at the 30 June 2016 is contingent upon the following:

(i) The Group deriving future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) The conditions for deductibility imposed by tax legislation continuing to be complied with; and

(iii) There being no changes in tax legislation which adversely affect the Group from realising the benefit.

Notes to the Consolidated Financial Statements *(cont'd)*

6. Dividends

There were no dividends recommended or paid during the financial year (2015: nil).

7. Cash and Cash Equivalents

	Consolidated	
	2016 $	2015 $
Cash and cash equivalents	**942,671**	**1,369,598**

8. Trade and Other Receivables

	Consolidated	
	2016 $	2015 $
Other receivables	72,929	136,550
Advances to suppliers	104,956	-
	177,885	**136,550**

9. Other Assets – Non-Current

	Consolidated	
	2016 $	2015 $
Office lease security bond	**15,708**	**15,708**

10. Exploration & Evaluation Expenditure

	Consolidated	
	2016 $	2015 $
Exploration and evaluation phase	786,804	781,648
Movements in carrying amounts		
Balance at the beginning of the financial year	781,648	332,857
Capitalised expenditure in year - shares issued for acquisitions	-	414,285
-exploration and evaluation	5,156	34,506
Balance at the end of the year	**786,804**	**781,648**

Recoverability of the above carrying amount is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Notes to the Consolidated Financial Statements *(cont'd)*

11. Plant & Equipment

	Software $	Equipment & Motor Vehicles $	Furniture & Fittings $	Exploration equipment $	Total $
Cost or deemed cost					
Balance at 1 July 2015	7,708	14,646	2,265	54,704	79,323
Additions	-	16,675	-	1,470	18,145
Disposals	-	-	-	(9,500)	(9,500)
Balance at 30 June 2016	**7,708**	**31,321**	**2,265**	**46,674**	**87,968**
Depreciation					
Balance at 1 July 2015	313	687	93	1,551	2,644
Depreciation for the year	2,958	4,513	180	5,703	13,354
Disposals/write offs	-	-	-	(845)	(845)
Balance at 30 June 2016	**3,271**	**5,200**	**273**	**6,409**	**15,153**
Carrying amounts					
at 1 July 2015	**7,395**	**13,959**	**2,172**	**53,153**	**76,679**
at 30 June 2016	**4,437**	**26,121**	**1,992**	**40,265**	**72,815**

	Software $	Equipment & Motor Vehicles $	Furniture & Fittings $	Exploration equipment $	Total $
Cost or deemed cost					
Balance at 1 July 2014	**-**	**108,482**	**-**	**-**	**108,482**
Additions	7,708	14,646	2,265	54,704	79,323
Disposal	-	(108,482)	-	-	(108,482)
Balance at 30 June 2015	7,708	14,646	2,265	54,704	79,323
Depreciation					
Balance at 1 July 2014	-	108,482	-	-	108,482
Depreciation for the year	313	687	93	1,551	2,644
Disposals/write offs	-	(108,482)	-	-	(108,482)
Balance at 30 June 2015	**313**	**687**	**93**	**1,551**	**2,644**
Carrying amounts					
at 1 July 2014	**-**	**-**	**-**	**-**	**-**
at 30 June 2015	**7,395**	**13,959**	**2,172**	**53,153**	**76,679**

Notes to the Consolidated Financial Statements *(cont'd)*

12. Trade & Other Payables

	Consolidated 2016 $	Consolidated 2015 $
Trade creditors	108,010	295,014
Other creditors and accruals	57,680	17,000
	165,690	**312,014**

13. Issued Capital

a) Ordinary shares	2016 Shares	2016 $	2015 Shares	2015 $
Ordinary shares fully paid	965,233,430	21,017,352	797,174,646	19,201,817
Movements in Share Capital				
Balance at beginning of the year	797,174,646	19,201,817	213,050,185	14,301,821
Placement of shares 20/07/2015	28,000,000	532,000	-	-
Placement of shares 18/04/2016	138,776,200	1,387,762	-	-
Exercise of options 29/06/2016	1,282,584	26,934	-	-
Share based payments (Note 20)	-	-	94,515,000	1,228,695
Conversion of convertible notes	-	-	2,386,417	20,370
Exercise of options 23/02/2015	-	-	3,416,612	71,749
Shares issued to exercise option over Fraser Range tenements	-	-	28,571,428	414,285
Placement of shares 19/9/2014	-	-	250,000,000	500,000
Placement of shares 11/11/2014	-	-	96,835,004	849,575
Placement of shares 16/03/2015	-	-	108,400,000	2,926,800
Capital raising costs on issue of shares	-	(131,161)	-	(1,111,478)
Balance at the end of the year	**965,233,430**	**21,017,352**	**797,174,646**	**19,201,817**

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

As the shareholders' meeting, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on the show of hands.

Notes to the Consolidated Financial Statements *(cont'd)*

(b) Capital Management

The Directors' objective when managing capital is to ensure that the Company can funds its operations and continue as a going concern, so that they may continue to provide returns to shareholders and benefits to other stake holders.

Due to the nature of the Company's activities, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet business development and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with the view to initiate appropriate capital raisings as required.

14. Unissued Shares

As at 30 June 2016, the Company received $15,000 as a result of the exercise of 714,286 unlisted 30 June 2016 options at $0.021 each. Fully paid ordinary shares pertaining to the exercise of these options were yet to be issued as at 30 June 2016. Shares were issued subsequent to the year end.

15. Reserves

	2016	2016	2015	2015
(a) Share options	**Options**	**$**	**Options**	**$**
Options on issue	302,701,982	905,779	398,957,062	905,779
Movements in options				
Opening balance at 1 July	398,957,062	905,779	14,345,462	15,000
Options attached to placement shares 20/07/2015	14,000,000	-	-	-
Exercise of options 29/06/2016	(1,282,584)	-	-	-
Exercise of options 30/06/2016 (Note 14)	(714,286)	-	-	-
Expiry of options	(15,785,714)	-	-	-
Options exercised subsequent to balance date pursuant to underwriting agreement (Note 16)	(92,472,496)	-	-	-
Options attached to placement shares 19/9/2014	-	-	250,000,000	-
Options issued to directors and Company Secretary following shareholder approval on 8/9/2014	-	-	25,000,000	304,960
Options issued pursuant to conversion of convertible note	-	-	1,193,208	-
Options attached to placement shares 11/11/2014	-	-	48,417,502	-
Options issued as payment for a mandate fee for 11/11/2014 placement	-	-	48,417,502	387,340
Options issued to director following shareholder approval on 10/2/2015	-	-	10,000,000	133,479
Exercise of options 23/02/2015	-	-	(3,416,612)	-
Options issued as payment for a mandate fee for 16/03/2105 placement	-	-	5,000,000	65,000
Closing balance at 30 June	**302,701,982**	**905,779**	**398,957,062**	**905,779**

Nature and purpose of reserve:
The share options reserve is used to record the value of equity benefits provided to employees, directors and third parties for services rendered.

Notes to the Consolidated Financial Statements *(cont'd)*

b) Financial assets

	Consolidated	
	2016 $	2015 $
At the beginning of the reporting year	-	(124,616)
Fair value adjustment on available for sale financial assets	-	124,616
At end of reporting year	-	-

Nature and purpose of reserve:
The financial assets reserve is used to recognise the prevailing value of assets available for sale but not exercised at the end of the year. All available for sale assets were sold during the 2015 financial year.

16. Options on issue

	Consolidated	
	2016 number	2015 number
At year end the following options were on issue		
Options exercisable at $0.07 expiring 30 June 2016 (i)	-	1,785,714
Options exercisable at $0.021 expiring 30 June 2016 (ii)	-	94,469,366
Options exercisable at $0.015 expiring 31 December 2016	7,500,000	7,500,000
Options exercisable at $0.021 expiring 31 December 2016	5,201,982	5,201,982
Options exercisable at $0.07 expiring 31 March 2018	5,000,000	5,000,000
Options exercisable at $0.0125 expiring 31 August 2019	275,000,000	275,000,000
Options exercisable at $0.021 expiring 31 August 2019	10,000,000	10,000,000
	302,701,982	**398,957,062**

(i) Expired on 30 June 2016.

(ii) On 29 June 2016, 1,282,584 options were exercised and on 30 June 2016, the Company received funds for the exercise of 714,286 options (see Note 14). The remaining 92,472,496 options were fully underwritten pursuant to an underwriting agreement with Barclay Wells Limited (refer to ASX announcement dated 29 June 2016) and proceeds of $1,941,922 were received on 14 July 2016 on the issue of shares pursuant to this underwriting agreement.

Notes to the Consolidated Financial Statements *(cont'd)*

17. Accumulated Losses

	Consolidated	
	2016 $	**2015** $
Accumulated losses at beginning of year	(18,039,427)	(14,365,101)
Net loss attributable to members	(2,068,511)	(3,674,326)
Accumulated losses at end of year	**(20,107,938)**	**(18,039,427)**

18. Commitments and Contingent Liabilities

Exploration Expenditure Commitments

The Group must meet the annual tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished, exemptions from expenditure are applied or are otherwise disposed of. There are also office lease payments remaining on the lease term. These amounts are not provided in the accounts and are payable:

	Consolidated	
	2016 $	**2015** $
Not later than one year	339,993	360,416
Longer than one year, but not longer than five years	2,350,745	725,562
Longer than 5 years	-	-
Total	**2,690,738**	**1,085,978**

Notes to the Consolidated Financial Statements *(cont'd)*

19. Notes to the Consolidated Statement of Cash Flows

	Consolidated 2016 $	Consolidated 2015 $
(a) Cash	**942,671**	**1,369,598**

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and cash on investment.

b) Reconciliation of Loss from Ordinary Activities after Income Tax to Net Cash Flows from Operations

	2016	2015
Loss after income tax	**(2,068,511)**	**(3,674,326)**
Non-cash flows in profit from ordinary activities		
Depreciation	13,354	2,644
Loss on disposal of plant and equipment	1,155	-
Loss on write off of loans	-	122,952
Loss on investments	-	223,251
Share based payments	-	321,762
Share option expense	-	438,439
Write off of reserves	-	81,007
Changes in Assets and Liabilities		
(Increase) in trade and other receivables relating to operating activities	(41,335)	(133,336)
Decrease in provisions	-	(22,795)
(Decrease)/increase in trade and other payables relating to operating activities	(140,743)	84,476
Cash flows (used) in operations	**(2,236,080)**	**(2,555,926)**

c) Non-cash investing and financing activities

There were no non-cash investing and/or financing activities during the financial year ended 30 June 2016.

In the prior year, the Company issued 2 tranches of 14,285,714 fully paid ordinary shares to exercise its options to acquire 2 key Fraser Range tenements (E63/1564 and E63/1617).

In the prior year, interest payable on convertible notes of $20,370 was settled through the issue of shares.

During the 2015 year, the Company made a number of share based payments as outlined in Note 20.

Notes to the Consolidated Financial Statements *(cont'd)*

20. Share Based Payments

No share- and option-based payments were made during the year ended 30 June 2016 (2015: refer to below).

	Consolidated	
	2016	2015
	Number	Number
Shares		
Issued to director D Goodwin (or nominee) as sign on fee	-	4,000,000
Issued to director G Le Page (or nominee) in lieu of directors fees owing	-	7,500,000
Issued to former director G Sklenka (or nominee) in lieu of directors fees owing	-	7,150,000
Issued to former director R Berzins (or nominee) in lieu of directors fees owing	-	6,072,500
Issued to Halston Exploration Inc. in satisfaction of a liability owing on an overseas project.	-	18,750,000
Issued to Edwards Motors Pty Ltd (or nominee) a related party of former director R Berzins, in lieu of loan payable.	-	13,542,500
Issued to RM Corporate Finance Pty Ltd, a related party of director G Le Page in satisfaction of a mandate fee.	-	37,500,000
Total	**-**	**94,515,000**
Options		
Issued to director D Goodwin as incentive options	-	10,000,000
Issued to director R Downey as incentive options	-	10,000,000
Issued to director P Fromson as incentive options	-	10,000,000
Issued to the Company Secretary as incentive options	-	5,000,000
Issued to broker as part payment of a mandate fee	-	5,000,000
Issued to RM Corporate Finance Pty Ltd, a related party of director G Le Page in satisfaction of debt financing fees	-	48,417,502
Total	**-**	**88,417,502**

All payments to directors or their related entities for both shares and options were approved by shareholders.

Notes to the Consolidated Financial Statements *(cont'd)*

21. Related Party Transactions

(a) Key Management Personnel

Disclosures relating to key management personnel are set out in the Directors' report. The aggregate remuneration paid to Key Management Personnel of the Group is as follows:

	Consolidated	
	2016	2015
	$	$
Short term employee benefits	690,280	570,512
Share-based payments	-	759,832
	690,280	**1,330,344**

(b) Related Party Transactions

At 30 June 2016 the following balances were owing to associated companies or companies associated with Directors as follows:

- Reliant Resources Pty Ltd, a company related to Dean Goodwin - $22,330 (2015: $34,672) for consulting services and director fees.
- TDC Legal Pty Ltd, a company previously related to Robert Downey - $986 (2015: nil).
- Somerville Advisory Group, a company related to Keith Bowker - $8,250 (2015: nil).

(c) Goods or Services Provided by Related Parties

During the financial year, the following services were provided by the Directors' related parties, the values of which are included in the aggregate remuneration above.

- Reliant Resources Pty Ltd, a company related to Dean Goodwin - $339,260 (2015: $288,263) for consulting services and director fees.
- Somerville Advisory Group, a company related to Keith Bowker - $80,680 (2015: $51,220) for company secretarial and accounting fees.
- TDC Legal Pty Ltd, a company related to Robert Downey - $4,440 (2015: nil) for legal fees.
- Quantum Vis Pty Ltd, a company related to Robert Downey - $40,000 (2015: $33,333) for director fees.
- Orequest Pty Ltd, a company related to Guy Le Page - $32,500 (2015: $25,000) for director fees.
- The Bowker Investment Trust, for which Keith Bowker is a trustee - $20,000 (2015: nil) for director fees.
- Odyssey Tax and Accounting, a company related to Michael Pedley - $20,000 (2015: nil) for director fees.
- MBE Finance Pty Ltd, a company related to Paul Fromson - $109,000 (2015: $172,696) for consulting services.

Notes to the Consolidated Financial Statements *(cont'd)*

22. Parent Entity Disclosures

The parent entity of the Group is Mount Ridley Mines Limited.

Financial position

	Parent	
	2016	2015
	$	$
Assets		
Current assets	1,136,264	1,506,148
Non- current assets	859,619	874,035
Total Assets	**1,995,883**	**2,380,183**
Liabilities		
Current liabilities	180,690	312,014
Total Liabilities	**180,690**	**312,014**
Net Assets	**1,815,193**	**2,068,169**
Equity		
Issued capital	21,017,352	19,201,817
Accumulated losses	(20,107,938)	(18,039,427)
Reserves		
Options reserve	905,779	905,779
Total Reserves	**905,779**	**905,779**
Total Equity	**1,815,193**	**2,068,169**

	Parent	
	2016	2015
	$	$
Financial performance		
Net loss for the year	(2,068,511)	(3,618,232)
Other comprehensive income	-	-
Total comprehensive loss for the financial year	**(2,068,511)**	**(3,618,232)**

Mount Ridley Mines Limited has not entered into any guarantees in relations to the debts of its subsidiaries and has no material contingencies or commitment, other than those referred to in other parts of this report.

Notes to the Consolidated Financial Statements *(cont'd)*

23. Operating Segments

The Group has identified that it operates in only one segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's principle activity is mineral exploration.

Basis of accounting for purposes of reporting by operating segments

All amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

24. Auditor's Remuneration

	Consolidated	
	2016 $	2015 $
Remuneration of the auditor of the Group for		
- Audit and review services	36,000	30,200
- other services	-	-
	36,000	**30,200**

25. Events after the reporting period

- On 12 July 2016, 69,388,100 options exercisable at $0.025 on or before 30 June 2017 were issued pursuant to the placement on 18 April 2016 and 20,000,000 options on the same terms were issued to brokers pursuant to this placement.

- On 14 July 2016, the Company received proceeds of $1,941,922 from the issue of shares relating to 92,472,496 options which were due to expire on 30 June 2016 but which were subject to an underwriting agreement as disclosed in Note 16.

- On 19 July 2016, the Company provided an update on diamond hole MRDD015 at its 100% owned Mt Ridley Project in the Albany-Fraser Range Province. The hole was lost due to a drilling incident at around 650m depth downhole. The hole was designed to reach a final depth of 800m. The incident left the hole blocked making it impossible to conduct planned downhole EM surveying.

- On 25 July 2016, the Company announced that a program of deep diamond drilling has re-commenced at a new replacement hole MRDD016 following the drilling incident in hole MRDD015. The new hole has been designed to test the AMT phase anomaly along with the down dip/plunge of thick widths of minor disseminated, globular and blebby nickel and copper sulphides. MRRDD016 had a designed depth of 750-800m and is expected to take several weeks to complete.

- On 31 August 2016, the Company advised the appointment of Mr Ashley Hood as the Managing Director of the Company following the resignation of Messrs Dean Goodwin and Robert Downey. Mr Michael Pedley assumed the position of Non-Executive Chairman.

- On 2 September 2016, the Company requested a voluntary suspension of its quoted fully paid ordinary shares from commencement of trading on 5 September 2016 until commencement of trading on 6 September 2016 to enable the Company further time to respond to an ASX Price Query. The suspension of trading in the securities of the Company was lifted on 6 September 2016.

Notes to the Consolidated Financial Statements *(cont'd)*

25. Events after the reporting period (cont'd)

- On 13 September 2016, the Company announced an update on its flagship project Mt Ridley whereby highlights included the completion of a broader scale gravity survey program utilising a 200x400m pattern and 100x100m infill pattern over primary target areas, proposed extension to diamond hole MRDD016 to original planned depth of 800 metres from its current depth of 620 metres due to identification of magmatic sulphides near the bottom of the hole.

26. Loss per Share

		2016 $	2015 $
(a)	Reconciliation of loss to net loss		
	Net loss	**(2,068,511)**	**(3,674,326)**
(b)	Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	**851,786,679**	**597,680,410**
	Basic loss per share (cents per share)	**(0.24)**	**(0.61)**

In addition to the above ordinary shares, the Group has on issue 395,174,478 options (2015: 398,957,062) that could potentially dilute basic loss per share in the future. These options have not been included in the calculation of diluted loss per share due to being anti-dilutive for the year.

27. Controlled Entities

Mount Ridley Mines Limited holds a 100% interest in Australian incorporated Greencode Pty Ltd which is dormant and has no assets.

Mount Ridley Mines Limited is the head entity within the tax consolidation group.

Directors' Declaration

The Directors of Mount Ridley Mines Limited declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in note 2(a) to the consolidated financial statements;

(c) in the Directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001 and Corporations Regulations 2001 including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the Directors have been given declarations required by s295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors.

Ashley Hood

Managing Director

Perth, 30 September 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Mount Ridley Mines Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
30 September 2016

L Di Giallonardo
Partner

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HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Mount Ridley Mines Limited

Report on the Financial Report

We have audited the accompanying financial report of Mount Ridley Mines Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other 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 Group 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

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HLB Mann Judd

Auditor's opinion

In our opinion:

(a) the financial report of Mount Ridley Mines Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and 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(a) to the financial report which indicates that the Group will be required to raise additional funding to enable it to continue as a going concern. If the Group is unable to raise sufficient funds, there exists a material uncertainty that may cast significant doubt whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 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.

Auditor's opinion

In our opinion, the Remuneration Report of Mount Ridley Mines Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
30 September 2016

ASX Additional Information as at 19 October 2016

Ordinary share capital

1,217,183,243 fully paid ordinary shares are held by 2,086 shareholders.

Each ordinary share is entitled to vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

7,500,000 **unlisted** \$0.015 Options expiring 31 December 2016 are held by 2 holders (i)

5,201,982 **unlisted** \$0.021 Options expiring 31 December 2016 are held by 4 holders (ii)

89,388,100 **unlisted** \$0.025 Options expiring 30 June 2017 are held by 86 holders

5,000,000 **unlisted** \$0.070 Options expiring 31 March 2018 are held by 1 holder (iii)

10,000,000 **unlisted** \$0.021 Options expiring 31 August 2019 are held by 1 holder (iv)

275,000,000 **unlisted** \$0.0125 Options expiring 31 August 2019 are held by 9 holders (v)

Unlisted Options Holders holding 20% or more:

(i) 5,000,000 Options held in the name of Orequest Pty Ltd <The CNT Family A/C> (67%) and 2,500,000 Options held in the name of RM Corporate Finance Pty Ltd (33%).

(ii) 1,504,387 Options held in the name of Depothent Pty Ltd (28.9%), 2,004,387 Options held in the name of MKM Superannuation Fund Pty Ltd (38.5%) and 1,193,208 Options held in the name of Pheakes Pty Ltd <Senate A/C> (22.9%).

(iii) 5,000,000 Options held in the name of DJ Carmichael Pty Ltd (100%).

(iv) 10,000,000 Options held in the name of MBE Finance Pty Ltd <Hillsden Family A/C> (100%).

(v) 82,500,000 Options held in the name of Mount Street Investments Pty Ltd <The M J Blake S/F A/C> (30%), 75,000,000 Options held in the name of Skymist Enterprises Pty Ltd <Tirumi Super Fund A/C> (27%).

Options do not carry a right to vote.

Distribution of ordinary shareholdings

Category (size of holding)	Number of ordinary shares	Number of holders	% holding
1 – 1,000	17,330	38	-
1,001 – 5,000	294,792	128	0.02
5,001 – 10,000	462,002	63	0.04
10,001 – 100,000	46,730,734	822	3.84
100,001 and over	1,169,678,385	1,035	96.10
	1,217,183,243	**2,086**	**100.00**

Unmarketable parcels

There are 604 shareholdings held in less than the marketable parcels.

Substantial shareholders

	Number of shares	% holding
MOUNT STREET INV PL <M J BLAKE S/F A/C>	90,000,000	7.39%

Restricted securities

The Company has no restricted securities on issue.

On-Market buy-back

There is no current on-market buy-back.

Twenty (20) largest shareholders of quoted equity securities

Name	Number of Shares Held	% of Issued Capital
MOUNT STREET INV PL <M J BLAKE S/F A/C>	90,000,000	7.39%
PERSHING AUST NOM PL <DJ CARMICHAEL ACCOUNT>	49,053,358	4.03%
TIRUMI PL <TIRUMI S/F A/C>	43,820,793	3.60%
LOLLY POP INV PL	34,240,567	2.81%
SEALBLUE INV PL	26,185,357	2.15%
SKYMIST ENTPS PL <TIRUMI S/F A/C>	24,640,455	2.02%
REDCODE PL	20,000,000	1.64%
HSBC CUSTODY NOM AUST LTD	18,597,544	1.53%
AMBER PLUS PL	14,999,998	1.23%
LE PAGE GUY T + D L <GUY LE PAGE S/F A/C>	14,687,500	1.21%
TADEA PL	14,651,209	1.20%
HOOD KEITH DOUGLAS	13,695,856	1.13%
MERE VIEW INV PL	12,500,000	1.03%
BERZINS ROLAND H + C M	12,418,214	1.02%
RYAN CHARLES MICHAEL C	10,304,317	0.85%
WOLPERS RAYMOND <R&L FAM A/C>	10,000,000	0.82%
MBE FINANCE PL <HILLSDEN FAM A/C>	10,000,000	0.82%
GALLUCCIO JOHN MICHAEL <JOHN GALLUCCIO FAM>	9,500,775	0.78%
COWIN MICHAEL	9,407,594	0.78%
DOWNEY STELLA EMILY	8,000,000	0.66%
	446,703,537	**36.70%**

Schedule of tenements held at balance sheet date

Location	Project Name	Tenement #	Ownership	Titleholder
Western Australia	Mount Ridley	E63/1547	100%	Mount Ridley Mines Limited
Western Australia	Mount Ridley	E63/1564	100%	Mount Ridley Mines Limited
Western Australia	Mount Ridley	E63/1617	100%	Mount Ridley Mines Limited
Western Australia	Mount Ridley	E63/1719	100%	Mount Ridley Mines Limited
Western Australia	Symons Hill	E28/2614*	Under application	Under application

*E28/2614 is currently under ballot application and the ballot is to be drawn late October 2016.