

QUEENSLAND MINING CORPORATION LIMITED

A.B.N. 61 109 962 469

ANNUAL REPORT For The Year Ended 30 June 2016



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CEO REPORT

Dear Shareholders,

The 2016 financial year has remained challenging to most of the resource companies. However, we are pleased to see some signs of recovery in commodity prices and investment confidence during the last few months.

To review our operations in the financial year, the exploration has been focused on increasing the resource base of the White Range Project. Significant mineralization was discovered in Young Australian and Copper Canyon areas. Underpinned by the drilling results, the recent JORC resource update showed around 90% increase of copper metals contained in the Young Australian deposit, with potential for further extension.

The drilling completed earlier this year also demonstrated a continuous mineralization zone in the Copper Canyon area, which can be potentially developed into another resource in the White Range portfolio. Further to this, a strong molybdenum mineralization (7m@3%) was identified first time in Copper Canyon. Follow-up drilling has been planned to expand the known mineralization and test newly defined targets while this letter is being drafted.

Over the last 12 months, we have kept on exploring the potential solutions to reduce the capital expenditure and to improve the production efficiency of White Range Project from its previous feasibility study. Meanwhile, we have continued to negotiate with several potential JV partners on different options of joint development of the project. We believe White Range is one of the most economic undeveloped copper projects across the whole country, which has been delayed by unfavourable market conditions. Given the potential recovery of copper price in 2017, QMC will endeavour to make a breakthrough in the development of White Range Project.

At the corporate level, as you might have been aware, QMC has decided to spin off some of our non-core assets. The strategy was to further cut the costs down and to generate cash flow that would better fund the Company to achieve its long term goal. You might also notice that the Company received a total of \$4.6m from the shareholders in the recent fund raisings. Under the current market conditions, this success demonstrated the shareholders' trust and confidence in the future of the Company.

Again, on behalf of the board, I would like to thank you for your unfaltering trust and rock-solid support to the Company. We look forward to the exciting times lay ahead of your Company.

Yours sincerely,



Eddy Wu
Director and CEO

OPERATING AND FINANCIAL REVIEW

Principal Activities

The principal activities of the Group during the financial year were the exploration for and evaluation of mineral resources at the consolidated entity's mining tenements predominately situated in Queensland, Australia. There were no changes in the nature of the principal activities during the financial year.

Our Business Model and Objectives

Providing satisfactory long term returns to our shareholders is our primary objective. We are working to deliver this objective through our business model of holding a portfolio of mining tenements in Queensland and annual exploration programs to expand our mineral resources reserve. Apart from our own technical team, we are also seeking experience joint venture partners to assist in developing and mining of these identified reserves.

Operating Results

The loss of the consolidated group amounted to \$2,215,112 (2015: \$1,538,560) after providing for income tax. Discussion on the Group's operations is provided below.

Review of Operations

Introduction

Cloncurry field operations during the 2015/16 Financial Year have been primarily focused on the growth of the resource base for the Company's flagship White Range project. In line with this revised exploration strategy, three drill programs were completed at Young Australian and Copper Canyon prospects. Two phases of RC drilling were conducted in Young Australian between September and November 2015 and significant new copper mineralisation was intersected. In addition, a JORC resource update was undertaken for the Young Australian prospect in July 2016, which resulted in a 90% increase in contained copper metal.

In April 2016 a 10 hole RC program was completed at the Copper Canyon prospect approximately 25km south of Cloncurry. The drilling has reported the first occurrence of high grade molybdenum mineralisation and extensive copper mineralisation at shallow depth. Detailed geological mapping was then carried out over the broader prospect area and new structure and target areas were identified, which will be followed up by RAB drilling to define combined geological and geochemical anomalies particularly under the alluvial cover. Details of the exploration activities are presented as per follows.

Young Australian

The Young Australian prospect is located approximately 70km south of Cloncurry in northwest Queensland (Figure 1). It consists of four mining leases (ML7511, ML7512, ML90084 and ML90099; 100% QMC interest) and surrounding six sub-blocks within EPM 18912 which is owned by Chinova Resources and from which QMC has the exclusive rights to explore for mineralization over period of five years until June 2017. In addition, QMC has an option to require Chinova Resources to apply for a mining lease over all or any part of these six sub-blocks for QMC within the timeframe of the agreement. The prospect also forms part of the Company's White Range project and had been explored by QMC from 2008 to 2012.

During the current year, two phases of RC drilling programs were completed at Young Australian in September and November 2015, respectively. Phase 1 drilling consisted of 8 holes for a total of 1,112m testing three new targets outside of the existing resources (Figure 2). The drilling has returned significant copper mineralization with highlights as below:

- **26m @ 1.56% Cu from 59m, including
18m @ 2.10% Cu from 66m and
10m @ 2.95% Cu from 69m in Hole YA15RC06**
- **13m @ 1.08% Cu from 52m in Hole YA15RC01**
- **20m @ 0.45% Cu from 105m, including
4m @ 0.96% Cu from 105m
13m @ 0.35% Cu and 1094ppm Co from 88 in Hole YA15RC04**

The drilling also outlined a new potential mineralized trend 350m away from the existing Young Australian pit with an initial extent of >1,000m long and up to 100m wide.

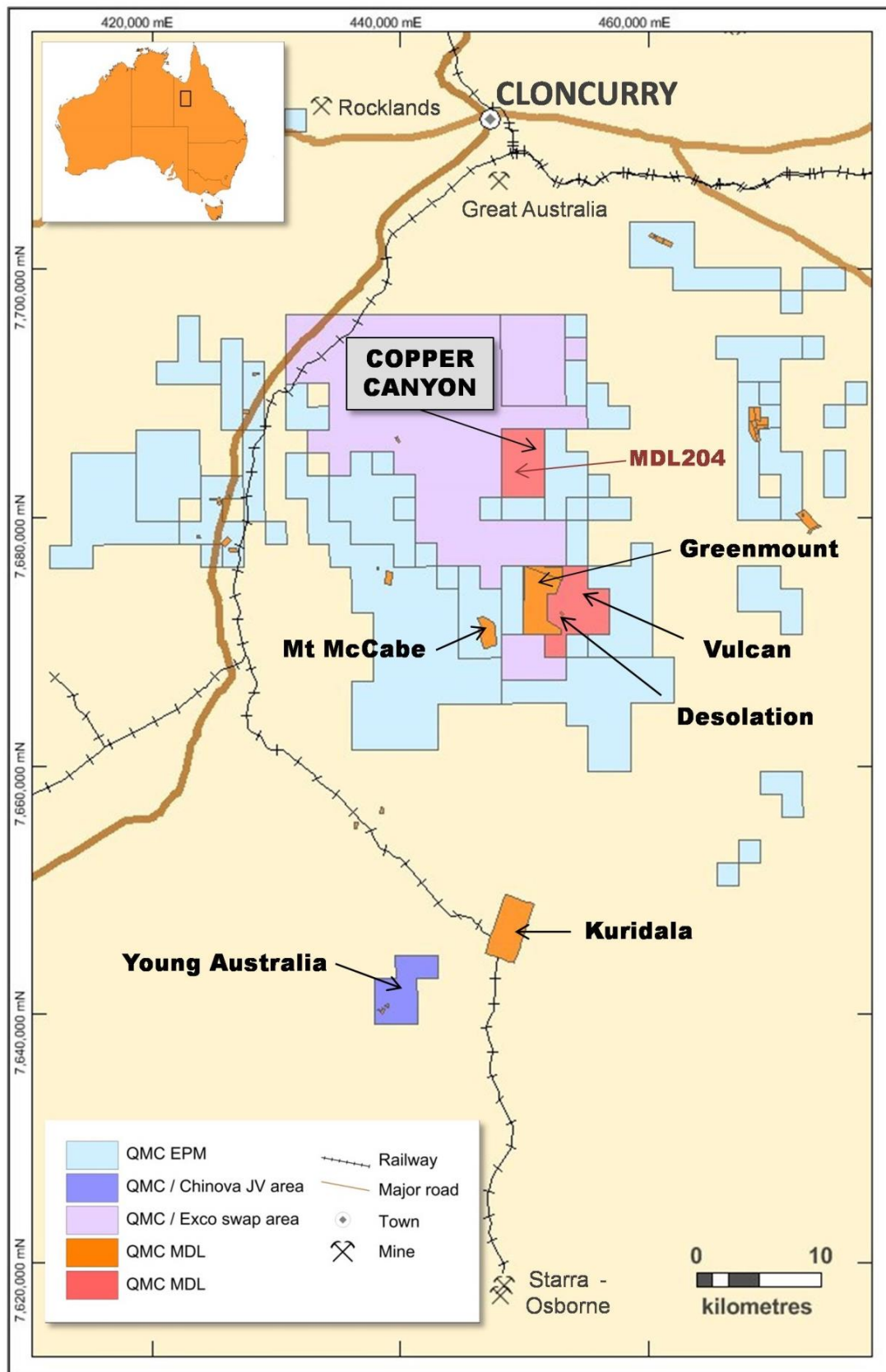


Figure 1. Regional location of the Young Australian and Copper Canyon prospects

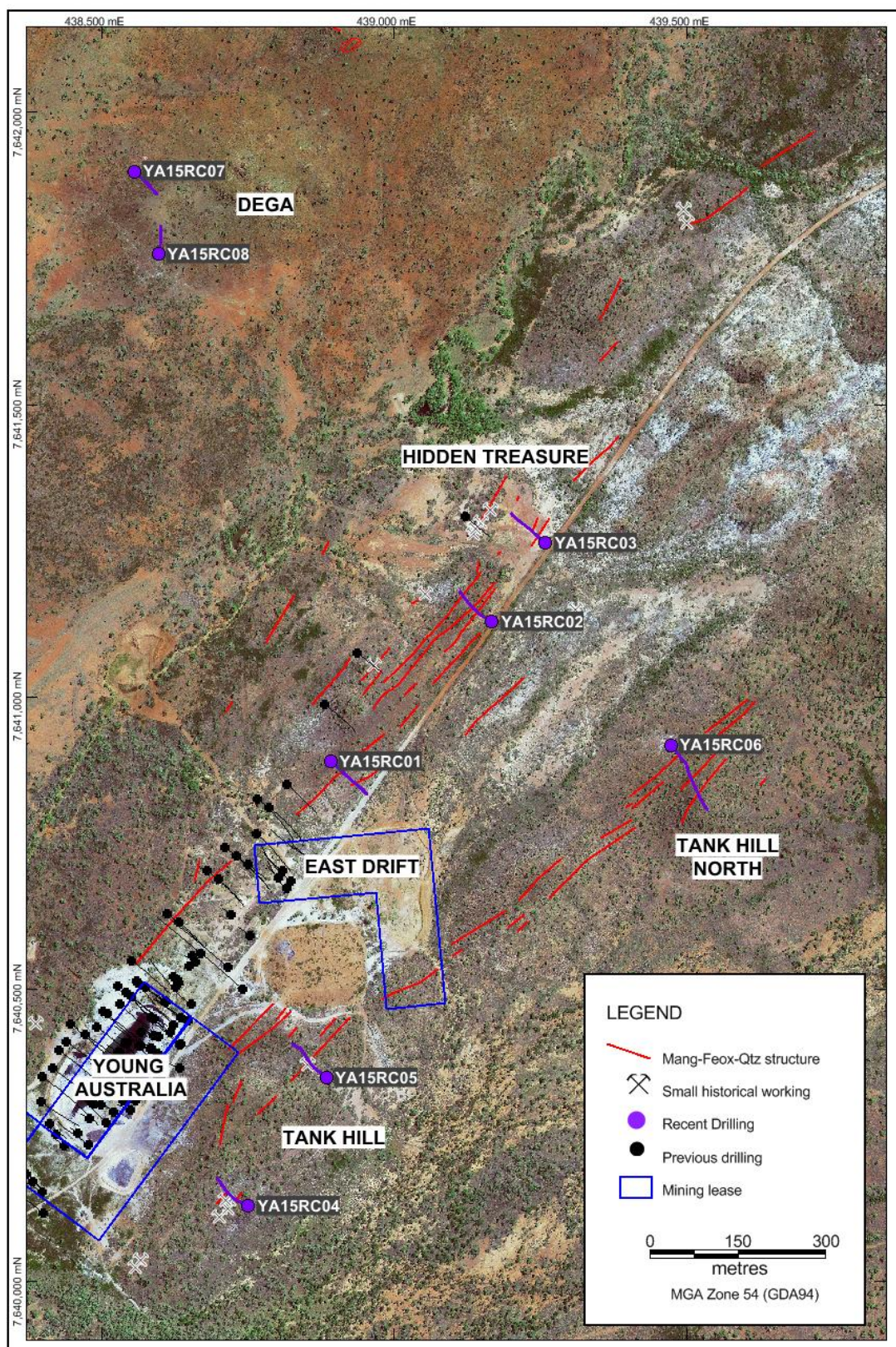


Figure 2 Drillhole location plan for Phase 1 RC drilling program in Young Australian

Phase 2 RC drilling was conducted in November 2015 to follow up Phase 1 RC drilling with a goal to expand the significant copper intersections along strike and down, particularly from Hole YA15RC06 in North Tank Hill. This program consisted of 5 RC holes totaling 821m. As constrained by the site clearance with Native Title claimant group and the impact of the forthcoming wet season, this drill program was cut short to only five holes, focusing mainly on the northern part of the Tank Hill zone. The drilling has encountered copper mineralisation across all the five holes but no comparable tenor of mineralisation was returned from the drilling (Figure 3 & 4). Highlights from drill assays include:

- **6m @ 1.07% Cu from 144m in Hole YA15RC10**
- **18m @ 0.51% Cu from 92m in Hole YA15RC11**
- **4m @ 0.81% Cu from 133m in Hole YA15RC09**

Preliminary review of the drilling data suggested that at least two out of five holes were drilled into the leached zone and hence missed the chalcocite dominated supergene mineralisation zone. Further exploration will be planned to target the alluvium covered areas within the six sub-blocks with aim to make new discoveries in Young Australian.

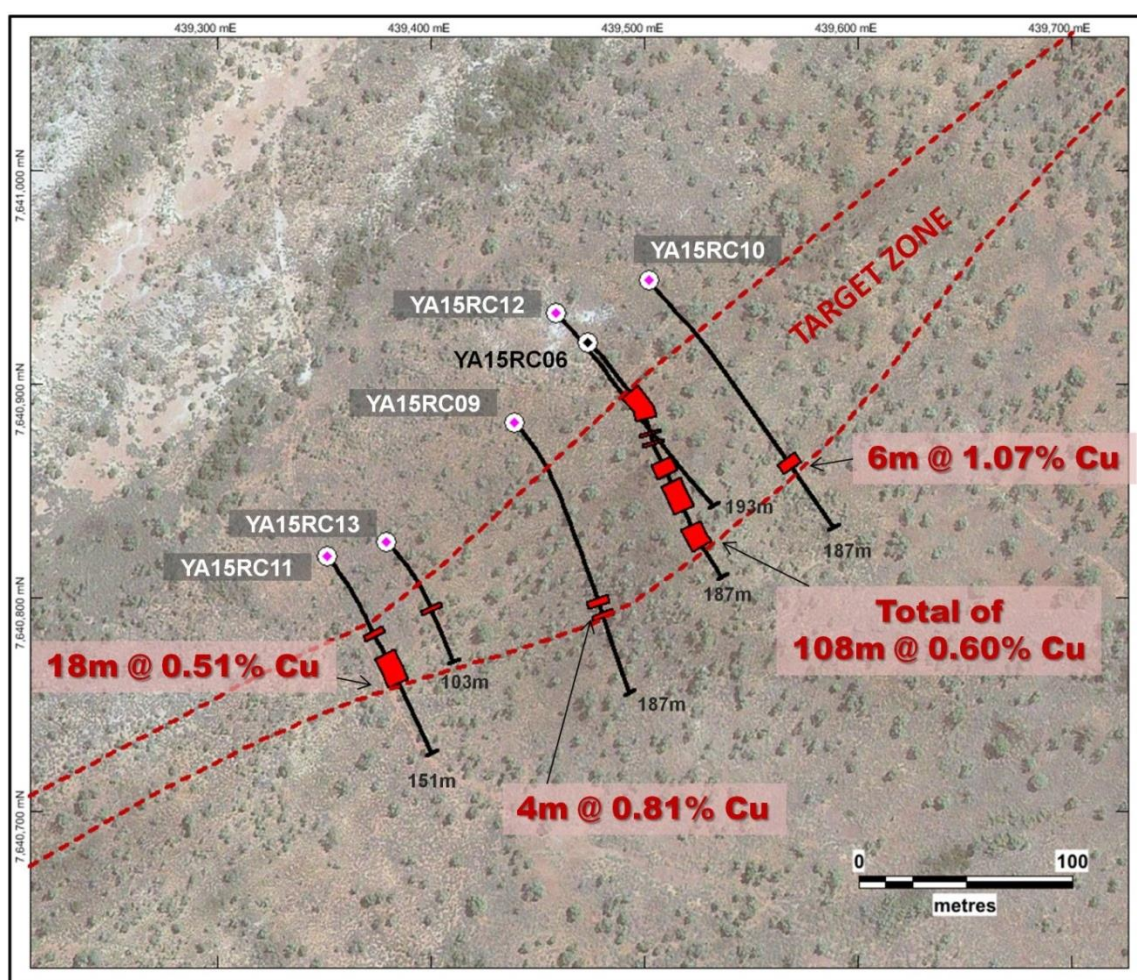


Figure 3 Drillhole location plan of Phase 2 RC drilling in Young Australian

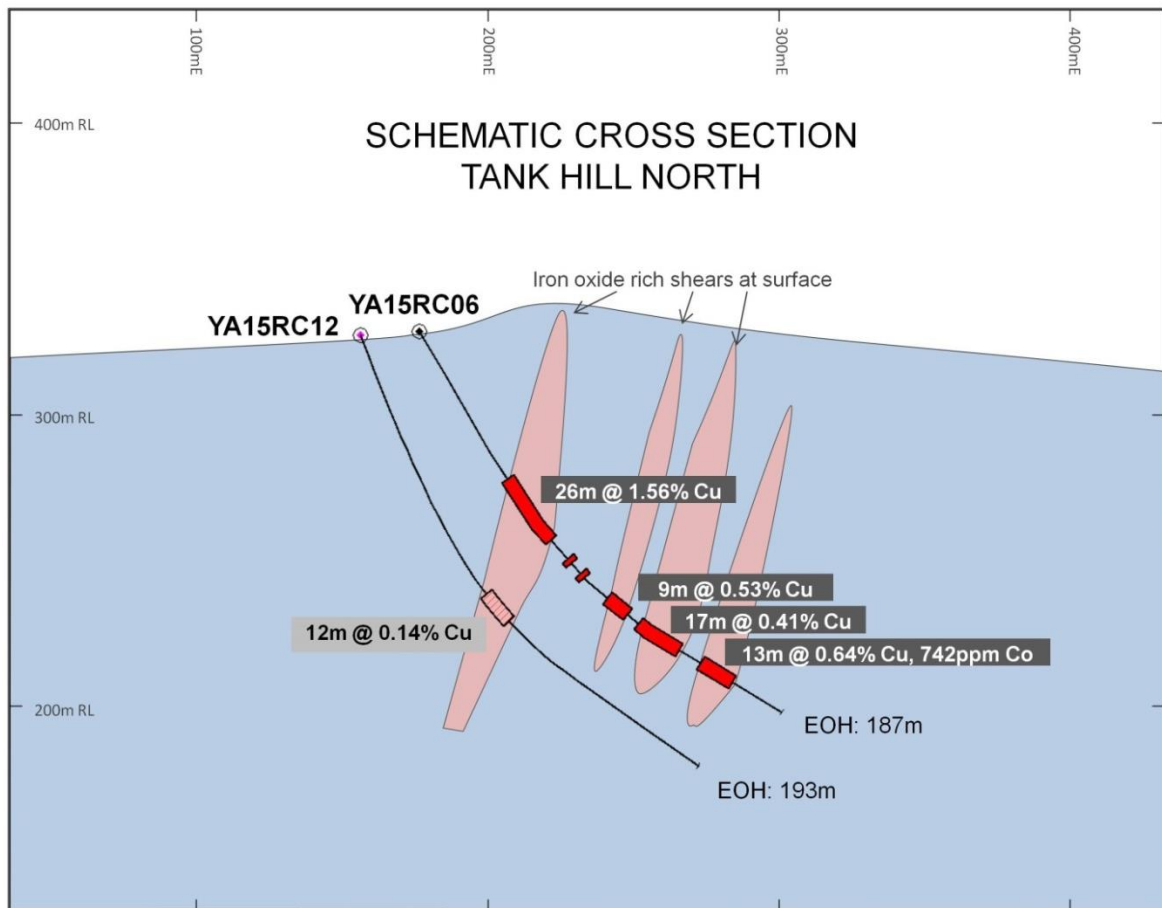


Figure 4 Cross section through Hole YA15RC06 and YA15RC12 (looking northeast)

In addition to the above two RC drill programs, the Company has also undertaken a resource update at Young Australian using the drilling data collected by QMC in 2012 and 2015 and drilling data collected by Chinova Resources in 2010. This exercise which not only brings the status of the resource from the previous JORC 2004 to the current JORC 2012 standard but also includes a 90% increase in contained copper metal compared to the ASX release dated on 3 February 2011 for the Young Australian deposit. Such an increase in resource will provide additional support to the future production plan for the White Range project.

Table 1: Young Australian JORC resource comparison (0.2% Cu cut-off)

Classification	2011 QMC MLs		2016 QMC MLs		2016 Total	
	Mt	Cu %	Mt	Cu %	Mt	Cu %
Indicated	1.1	1.14	1.8	1.00	2.2	0.93
Inferred	1.0	0.8	0.5	0.75	2.9	0.68
Total	2.1	1.0	2.3	0.79	5.1	0.79

Copper Canyon

The Copper Canyon prospect is located approximately 25 km south of Cloncurry in northwest Queensland (Figure 1). It is situated in the northeast part of MDL204 which lies on the eastern flank of the regionally prominent Marimo basin in the Cloncurry mineral province. MDL204 covers a total area of 1,920 ha and is 100% owned by QMC's subsidiary White Range Mines Pty Ltd. The prospect also forms part of the Company's White Range project and is only about 10km north of the Greenmount deposit which contains the single largest copper resource for the project.

The ground held under MDL204 has seen intermittent exploration since the 1980s by a number of companies including Valdora Minerals, Homestake Australia, Majestic Resources and Matrix Metals. As part of a joint venture with Valdora Minerals covering a larger area in the White Range project, Homestake Australia Ltd undertook extensive exploration work throughout the tenement from 1986 to 1996. Of particular importance, 37 RC holes and 1 diamond hole were drilled in 1992 in north Copper Canyon and significant copper mineralisation including 56m @ 1.58% Cu and 0.7g/t Au from 64m in Hole CCNRC27 was reported. However, due to the exploration rationale of Homestake Australia being to target large scale gold deposits, not all holes were assayed for copper. In addition, cobalt was not analysed in all the drill and soil samples.

Previous drilling undertaken by Homestake, Majestic Resources and Matrix Metals reported significant intersections but the mineralization revealed is highly variable both along strike and down dip. The drilling orientation is based on the interpretation of a synclinal structure for the Copper Canyon area and hence almost all the holes were drilled towards east. QMC's recent structural interpretation is an imbricate thrust fault system, which controls the multiple zones or lenses of copper mineralization in Copper Canyon. In addition, Homestake's drillholes were primarily sited for gold targets and copper was not their main focus.

In order to test the new exploration model, 10 RC holes for a total of 1,028m were completed in April 2016 (Figure 5). The drilling has returned multiple zones of copper mineralization with significant gold and cobalt credits at shallow depth. Selected drill intercepts include:

- **37m @ 0.78% Cu, 0.50g/t Au and 976ppm Co from 54m, including 8m @ 2.27% Cu, 1.61g/t Au and 1,237ppm Co from 59m in Hole CC16RC01**
- **67m @ 0.52% Cu, 0.24g/t Au and 767ppm Co from 34m, including 10m @ 1.23% Cu, 0.83g/t Au and 847ppm Co from 84m in Hole CC16RC03**
- **9m @ 1.02% Cu, 0.47g/t Au and 268ppm Co from 58m, including 3m @ 2.37% Cu, 1.13g/t Au and 261ppm Co from 60m in Hole CC16RC10**

Of particular interest, Hole CC16RC06 returned **7m @ 3.0% Mo, 0.94g/t Au and 8.0g/t Re from 46m**, including a very high grade of **3m @ 6.36% Mo, 1.98g/t Au and 17.1g/t Re from 46m**. This hole was sited about 55m to the northeast of Hole CC16RC01 along strike and also intersected broad low grade copper mineralisation above and below the molybdenum zone. As only one hole was drilled into this newly discovered molybdenum mineralisation zone and hence the zone remains open in all directions. Follow up drilling will be planned to define the extent of this molybdenum mineralisation zone in Copper Canyon. In general, QMC's recent drilling has justified the new geological model for Copper Canyon and proved up a continuous mineralised zone of up to 100m long and 30m wide in the northern part of the prospect (Figure 6).

In addition to the RC drill program, the Company have also completed geological mapping within the broader Copper Canyon prospect, covering an area of approximately 1.5 (E-W) x 4 (N-S) km. This work has defined a lens of Marimo slate surrounded by Staveley Formation (Figure 7), which is interpreted to have formed as a result of a series of interweaving, possibly folded, thrust faults. Mineralisation is thought to occur within secondary faults preferentially developed within the Marimo slate. Mineralisation is also often close to the Marimo-Staveley contact, possibly due to a redox change.

The majority of previous work has focused on the eastern margin of the Copper Canyon prospect. Mapping has outlined a second Marimo-Staveley contact on the western margin of the prospect, with several small malachite occurrences identified on isolated outcrops. The bulk of the contact however is under either alluvial cover or scree. QMC is therefore planning a combined termite mound sampling program and RAB drilling program to provide consistent geochemical coverage over this contact. Work of this type will help define new targets under the alluvial and scree cover prior to testing by RC and diamond rigs for possible new discovery of copper in Copper Canyon. At the time of writing this report, a total of 313 RAB holes for 1,922m have been completed and 361 samples have been despatched to ALS Laboratories in Townsville. The assay data from the RAB program plus all existing geological and geochemical information will be used to design the next phase of RC/diamond drill program with an endeavour to define a maiden JORC resource for the prospect towards the end of 2016.

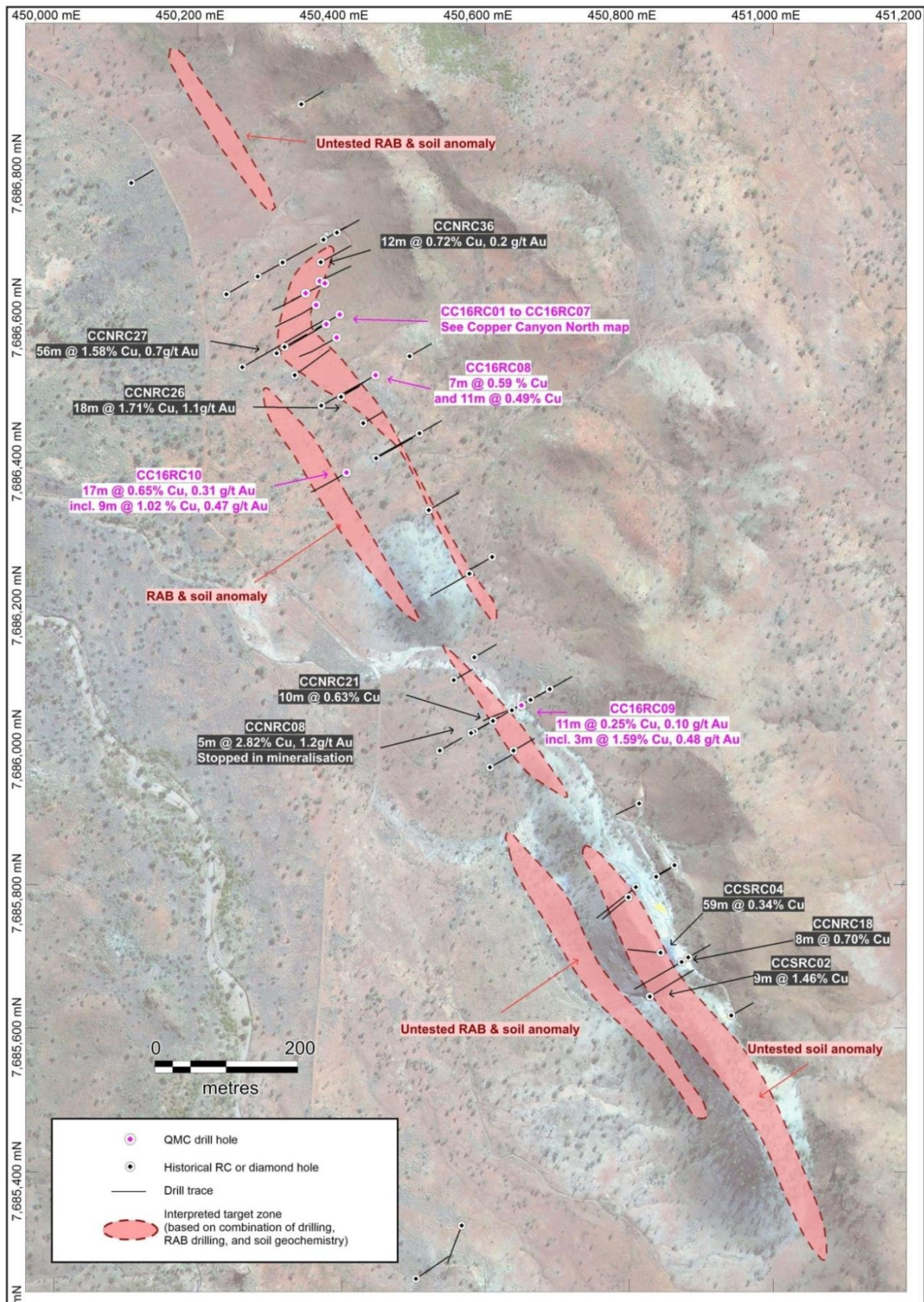


Figure 5 RC drillhole location plan at Copper Canyon

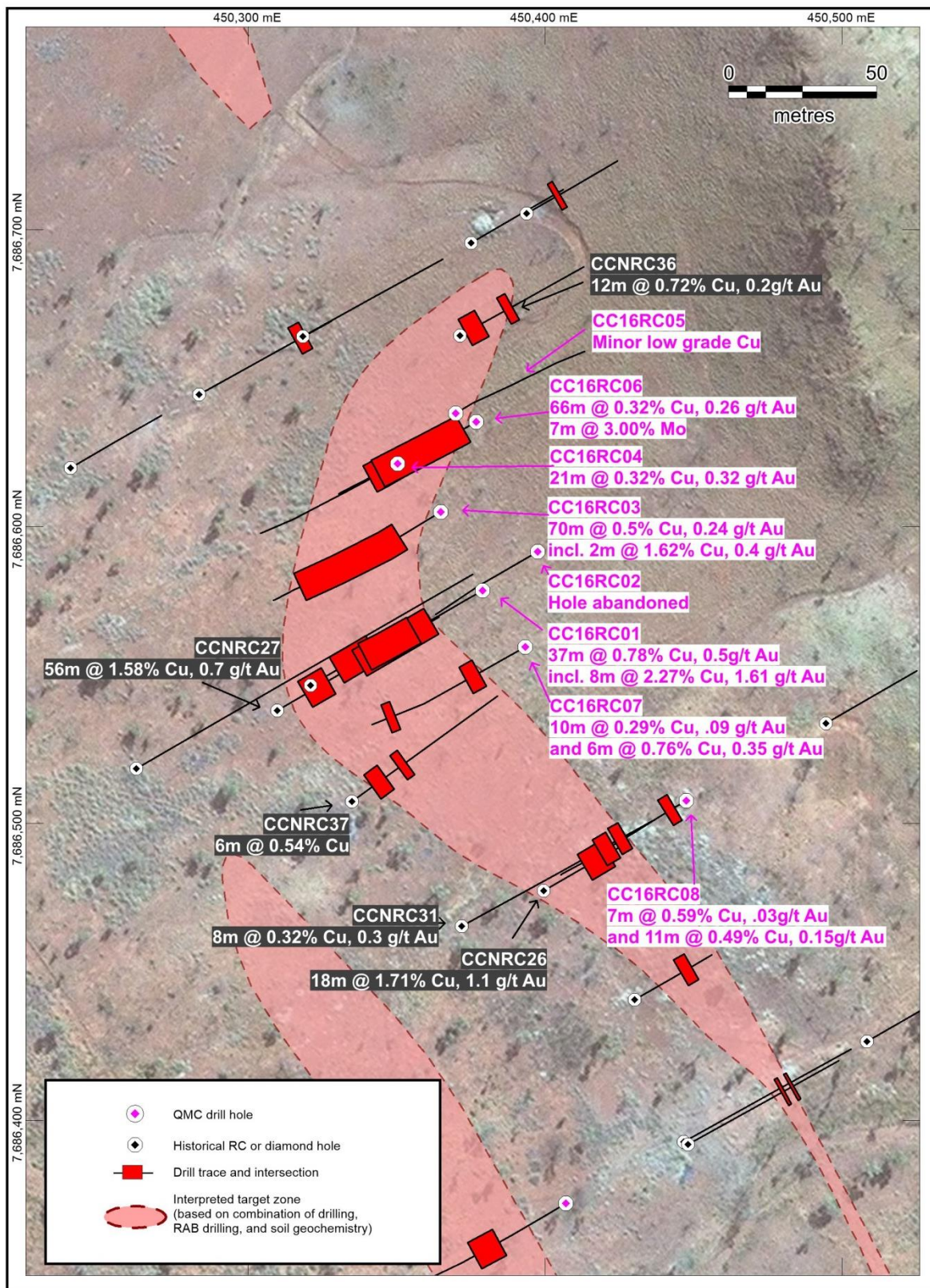


Figure 6 Copper mineralisation zones defined in Copper Canyon

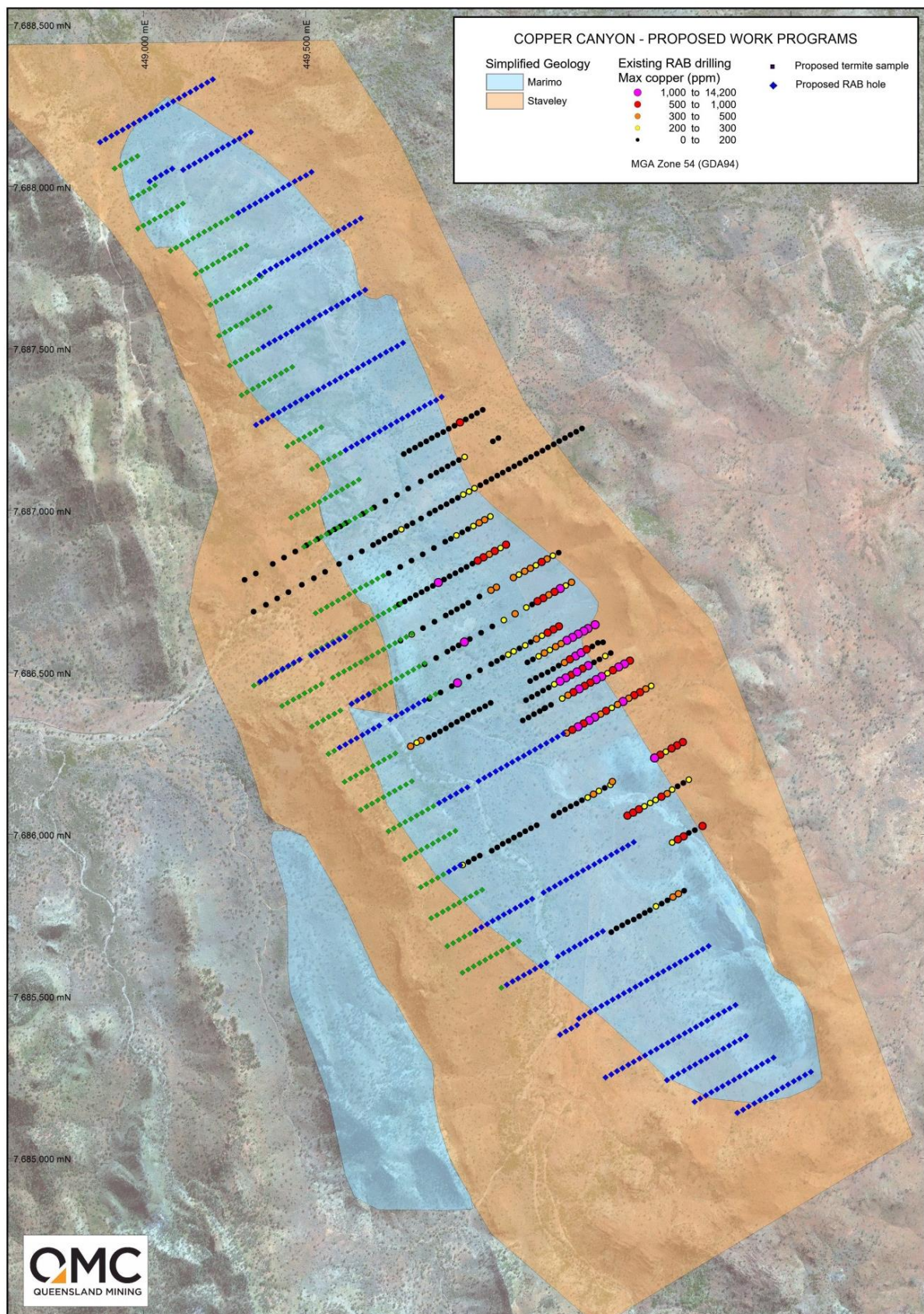


Figure 7 Newly constructed geological map for the Copper Canyon prospect and proposed RAB holes

MINERAL RESOURCES ESTIMATES – SUMMARY

White Range Project – Mineral Resources Estimate

QMC Limited White Range Project	Resource		Grade			Metal Contained		
	Resource Category	Tonnes (Mt)	Copper (%)	Gold (g/t)	Cobalt (%)	Copper (tonnes)	Gold (Oz)	Cobalt (tonnes)
Greenmount	Measured	1.2	1.26	0.46	0.07	15,120	18,400	840
	Indicated	7.7	0.75	0.30	0.06	57,750	77,000	4,620
	Inferred	3.8	0.57	0.20	0.04	21,660	25,333	1,900
	Total	12.7	0.74	0.28	0.05	94,530	120,733	7,360
Kuridala	Measured	1.9	1.08	0.18	0.02	20,844	1,158	405
	Indicated	2.3	1.02	0.27	0.03	23,664	20,880	580
	Inferred	1.2	0.91	0.24	0.03	11,011	9,680	339
	Total	5.5	1.02	0.23	0.04	55,519	31,718	1,324
Young Australian	Measured							
	Indicated	2.2	0.93	N/A	N/A	20,460		
	Inferred	2.9	0.68	N/A	N/A	19,720		
	Total	5.1	0.79	N/A	N/A	40,180		
Mt. McCabe	Measured	1.0	1.21	N/A	0.04	12,100		400
	Indicated	0.6	1.10	N/A	0.03	6,600		192
	Inferred	1.0	0.85	N/A	0.01	8,500		110
	Total	2.6	1.05	N/A	0.03	27,200		702
Vulcan	Measured							
	Indicated	1.1	0.70	N/A	0.01	6,825		137
	Inferred	0.4	0.60	N/A	0.03	2,268		97
	Total	1.4	0.65	N/A	0.02	9,093		234
Desolation	Measured							
	Indicated	0.8	0.80	0.30	0.06	6,256	6,573	476
	Inferred	1.1	0.60	0.20	0.04	6,618	5,780	494
	Total	1.9	0.70	0.25	0.05	12,874	12,353	970
Total		30.0	0.80			239,396	164,804	10,590

Non White Range projects – Mineral Resources Estimate

QMC Limited Other Projects	Resource		Grade			Metal Contained		
	Resource Category	Tonnes (kt)	Copper (%)	Gold (g/t)	Cobalt (%)	Copper (tonnes)	Gold (Oz)	Cobalt (tonnes)
Gilded Rose	Measured							
	Indicated	22.7	N/A	5.1	N/A		3,750	
	Inferred	120.8	N/A	4.0	N/A		15,650	
	Total	143.5	N/A	4.6	N/A		19,400	
Mt. Freda	Measured							
	Indicated							
	Inferred	1,600.0	N/A	1.7	N/A		89,000	
	Total	1,600.0	N/A	1.7	N/A		89,000	
Flamingo	Measured							
	Indicated							
	Inferred	117.0	6.0	1.8	N/A	7,020	6,771	
	Total	117.0	6.0	1.8	N/A	7,020	6,771	
Horseshoe	Measured							
	Indicated	280.0	1.4	0.1	0.02	3,830	985	53
	Inferred	680.0	1.5	0.1	0.01	10,304	2,874	96
	Total	960.0	1.5	0.1	0.02	14,134	3,859	149
Stuart	Measured							
	Indicated	2,100.0	0.9	0.2	N/A	18,444	11,587	
	Inferred	200.0	0.7	0.2	N/A	1,224	875	
	Total	2,300.0	0.8	0.2	N/A	19,668	12,462	

Competent Person's Statement:

The mineral resources estimates mentioned in this report were previously reported in Greenmount Resources Update released on 7 August 2013; the ASX announcements released on 2 October 2014 and 17 August 2015 and the Young Australian Resources Update released on 26 July 2016. The Company confirmed that it is not aware of any new information or data that materially affects the information included in the relevant announcements and, in the case of estimates of mineral resources that all material assumption and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Guojian Xu, a Member of Australasian Institute of Mining and Metallurgy. Dr Xu is a consultant to Queensland Mining Corporation Limited through Redrock Exploration Services Pty Ltd. Dr Xu has sufficient experience deemed relevant to the style of mineralization 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 Australasian Code for Reporting Results, Mineral Resources and Ore Reserves. Dr Xu consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Financial Positions

The net assets of the consolidated group as at 30 June 2016 was \$27,554,591 (2015: \$29,645,359). Subsequent to the end of the financial year, the Company offered a Rights Issue to its shareholders and successfully raised \$4.68m (including subsequent placement of part of the under-subscribed shares) in August 2016. The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Events after the Reporting Period

On 4 August 2016 the Company issued 1,137,942,404 new ordinary shares to existing shareholders under the one for one Rights Issue announced on 16 June 2016 and raise \$4,551,770 before expenses.

On 15 August 2016 the Company signed an option agreement with Ausmex Mining Pty Limited in which an option was granted to them to partake in some non-core gold mining tenements and assets of the Company under a staged program and joint venture. Ausmex is planning a public listing on an Australian securities exchange. If the option is exercised, Ausmex will pay an exercising fee of \$1 million in the form of listed shares in Ausmex to the Company and raise the fund to develop the mines and proceed to production of gold. The Company will hold 40% interest in the joint venture and Ausmex will hold the balance 60%. Under certain production targets being met Ausmex has the obligation to buy the 40% interest held by the Company by paying \$2 million in cash.

On 29 August 2016 the Company made a placement of 31,990,850 new ordinary shares out from the Rights Issue undersubscription pool and raised \$127,963.

On 29 August 2016 the Company issued 6,818,200 ordinary shares to Redrock Exploration Services Pty Ltd as full settlement of \$34,091 exploration consultancy services provided.

Except for the above shares issues, no other matters or circumstances have arisen since the end of the financial year which significantly affect or could significantly affect the operations of the consolidated group future financial years.

Future Developments, Prospects and Business Strategies

Current areas of strategic focus of the Group include the following:

- Undertake exploration programs to enhance the resources reserve of the Company.
- Divest non-core mining and exploration assets of the Company by means of out-right sell or joint venture.

To improve the consolidated group's financial results and shareholder wealth, the Company is trying to reduce its operation overheads by implementation of a very straight spending control. In this regard, some non-core exploration licenses will be surrendered in the future in order to minimise the licenses holding costs. The Company is actively seeking for joint venture partners for its mining and exploration projects in order to develop these projects with the funding from the partners.

These strategies are expected to assist in the achievement of the consolidated group's long-term goals. Due to the present uncertainty in the mining industry, it is not possible at this stage to predict future results of the operations.

Business Risks

The following exposures to business risk may affect the Group's ability to achieve the above prospects: The continuous downturn of the mining industry in Australia that may discourage potential investors to invest in the Company's projects.

The copper and gold prices are beginning to recover, however, remain relatively volatile. Any deterioration in world economies will impact the future financial returns of the Company's projects.

Environmental Issues

The consolidated group's operations are subject to significant environmental regulations under the laws of the Commonwealth and state.

The Group is aware of the alleged non-compliance of certain environmental authorities' (EA's) requirements. The Company has addressed a number of the matters and continues to discuss outstanding issues with DEPH. No enforcement action is contemplated in relation to these matters.

Corporate Governance Statement

The Board of directors of Queensland Mining Corporation Ltd ("QMC") is responsible for establishing the corporate governance framework of the consolidated entity giving regard to the 3rd edition of the ASX Corporate Governance Principles and Recommendations ("Recommendations"). The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company's Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is contained in our website at www.qmcl.com.au.

The Board seeks, where appropriate, to adopt without modification, the Recommendations. Where there has been any variation from the Recommendations, it is because the Board believes that the Company is not as yet of size, nor are its financial affairs of such complexity and its ownership structure, to justify some of these Recommendations. The Board is of the view that with the exception of the departures to the Recommendations as are set on the web site, it otherwise complies with all of the Recommendations during the year ended 30 June 2016.

This Corporate Governance Statement is approved by the Board of QMC and is current as at 30 June 2016 and at the date of this statement.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of Queensland Mining Corporation Limited ("Company") and its controlled entities for the financial year ended 30 June 2016. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2016 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were directors of Queensland Mining Corporation Limited during or since the end of the financial year up to the date of this report:

Dr Lakshman Jayaweera – Non-executive Chair
Mr Jun Qiu – Non-executive Director
Mr Eddy Wu – Executive Director (CEO)
Mrs Joyce Wang – (Alternate to Mr Jun Qiu)

Particulars of each director's experience and qualifications are set out later in this report.

Dividends Paid or Recommended

There is no dividend paid or recommended during the financial year.

Indemnity and Insurance of Officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 25 of the financial report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

On 9 July 2013 the Company filed a Statement of Claim in the Federal Court of Australia against its former Managing Director, Mr Howard Victor Renshaw and his controlled entity Butmall Pty Ltd. DFK Richard Hill Pty Limited is named as a third defendant in the Statement of Claim, but solely in its capacity as the holder of funds paid to its trust account. The Statement of Claim pertains to payments that were made to Mr Renshaw and Butmall Pty Ltd in the amount of \$677,333 in aggregate, following Mr Renshaw's ceasing to be the Managing Director of the Company in October 2012. Costs and interest are also claimed.

On 29 August 2013 Mr Renshaw and Butmall Pty Ltd filed a defence to the aforementioned Statement of Claim filed by the Company on 9 July 2013. In addition the parties lodged a Counter Claim against the Company pursuant to which they seek payment of: \$110,000 plus interest at 12% per annum from 21 December 2012 to the day of payment; \$161,894 plus GST and interest at Court rates until the date of payment; damages; interest and costs on an indemnity basis. The proceedings were heard on 5 and 6 February 2014.

On 10 April 2014 the Federal Court of Australia delivered its judgment. The Court found in the Company's favour (including costs) in the main case and also dismissed the Counter Claim by Mr. Renshaw and Butmall Pty Ltd.

DIRECTORS' REPORT (CONTINUED)

Following the judgement delivered by the Court the Company received from DFK Richard Hill Pty Limited the sum of \$50,330 being the fund held in its trust account for Mr Renshaw.

On 3 June 2014 Mr Renshaw and Butmall Pty Ltd filed an appeal against the judgment. The appeal was heard on 26 November 2014 and the Company successfully resisted the appeal, which was dismissed with costs.

In December 2014 and January 2015 the Company served a bankruptcy notice and a statutory demand to Mr Renshaw and Butmall Pty Limited respectively to procure payment of the judgement debts. The parties applied to courts seeking to set aside the bankruptcy notice and statutory demand but were dismissed with cost in June 2015.

In July 2015 the Company commenced the process to procure the payments of the judgement debts due from Mr Renshaw and Butmall Pty limited.

In December 2015 the Federal Court ordered Butmall Pty Limited be wound up.

On 27 April 2016 the Federal Circuit Court of Australia has ordered a sequestration order over Mr Renshaw and declared him bankrupt.

On 11 May 2016 Mr Renshaw lodged an appeal to the order. A case management hearing was held on 1 July 2016 in which the parties were required to file and serve certain document within a deadline set by the judge. The final hearing of his appeal is expected to be held between 31 October and 25 November 2016.

Options

At the date of this report, the unissued ordinary shares of Queensland Mining Corporation Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
23 November 2015	30 June 2018	\$0.01	20,000,000

Option holders do not have any rights to participate in any issues of shares or other interest of the Company or any other entity.

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

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

There have been no ordinary shares of Queensland Mining Corporation Limited were issued on the exercise of options granted during or since the end of the reporting period.

Information Relating to Directors and Company Secretary

Lakshman Jayaweera -	Chair (Non-executive)
Qualification -	MSc, PhD (UNSW)
Experience -	Appointed chair in July 2013. Board member since January 2013.
Interest in Shares and	32,485,879 ordinary shares
Options -	
Special Responsibilities -	Chair of the Audit & Risk Committee, Remuneration Committee and Nomination Committee
Directorship held in other	None
listed entities during the	
three years prior to the	
current year -	

DIRECTORS' REPORT (CONTINUED)

Jun Qiu -	Director (Non-executive)
Qualifications -	EMBA
Experience -	Board member since June 2013
Interest in Shares and Options -	700,672,000 ordinary shares
Special Responsibilities -	None
Directorship held in other listed entities during the three years prior to the current -	None
Eddy Wu -	Director and Chief Executive Officer (Executive)
Qualifications -	BSc, MSc and MCom
Experience -	Board member since August 2013.
Interest in Shares and Options -	22,553,092 ordinary shares and options to acquire a further 10,000,000 ordinary shares.
Special Responsibility -	Member of the Audit & Risk Committee, Remuneration Committee and Nomination Committee.
Directorship held in other listed entities during the three years prior to the current -	Image Resources NL
Joyce Wang -	Alternate Director to Mr Qiu
Qualification -	CPA, MCom (USYD)
Experience -	Board member since June 2013
Interest in Shares and Options -	Options to acquire 4,000,000 ordinary shares.
Special Responsibility -	Member of the Audit & Risk Committee, Remuneration Committee and Nomination Committee.
Directorship held in other listed entities during the three years prior to the current -	None
Pipvide Tang -	Chief Financial Officer and Company Secretary
Qualification -	CPA, MBA (UNE)
Experience -	Company secretary since August 2013.
Interest in Shares and Options -	Options to acquire 6,000,000 ordinary shares

Meetings of Directors

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Director	Director's meetings	
	Number attended	Number eligible to attend
Dr Lakshman Jayaweera	5	5
Mr Jun Qiu	3	5
Mr Eddy Wu	5	5
Mrs Joyce Wang	5	5

Member	Audit and risk committee meetings	
	Number attended	Number eligible to attend
Dr Lakshman Jayaweera	2	2
Mrs Joyce Wang	2	2
Mr Eddy Wu	2	2

DIRECTORS' REPORT (CONTINUED)

Member	Remuneration committee meetings	
	Number attended	Number eligible to attend
Dr Lakshman Jayaweera	1	1
Mrs Joyce Wang	1	1
Mr Eddy Wu	1	1

Member	Nomination committee meetings	
	Number attended	Number eligible to attend
Dr Lakshman Jayaweera	1	1
Mrs Joyce Wang	1	1
Mr Eddy Wu	1	1

REMUNERATION REPORT (AUDITED)

Remuneration Policy

The remuneration policy of Queensland Mining Corporation Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Queensland Mining Corporation Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is based on the following:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board.
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefit, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentive paid in the form of options or rights are intended to align the interests of the directors and the Company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration committee reviews KMP package annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast activities of the consolidated group and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rate for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

DIRECTORS' REPORT (CONTINUED)

Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using the Black-Scholes methodology.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangement that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using Queensland Mining Corporation Limited shares as collateral in any financial transaction, including margin loan arrangements.

Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for the development of the group, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on forecast activities for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Queensland Mining Corporation Limited bases the assessment on audited figures and the level of completion of pre-determined exploration activities.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPIs, and the second being the issue of options to the executives to encourage the alignment of personal and shareholder interest.

The following table shows the financial results for the last five years for the listed entity, as well as the share price at the end of the respective financial years.

	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Net loss	2,215,112	1,538,560	2,170,519	20,314,357	7,127,920
Loss per share	0.00126	0.0012	0.0021	0.0342	0.0173
Share price at year end	0.004	0.006	0.01	0.02	0.023

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various reward schemes, specifically the incorporation of incentive payments based on the achievement of pre-determined activities milestones.

The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

The satisfaction of the performance conditions is based on a review of the Company's operation and activities. The Board does not believe that performance conditions should include a comparison with any other measures or factors external to the Group at this time.

DIRECTORS' REPORT (CONTINUED)

Employment Details of Members of Key Management Personnel

The following table illustrates the proportion of remuneration that was performance and non-performance based.

Name	Fixed remuneration		At risk – Short Term Benefits		At risk – Long Term Benefits Options Issued	
	2016	2015	2016	2015	2016	2015
<i>Non-Executive Directors:</i>						
Lakshman Jayaweera	100%	100%	-%	-%	-%	-%
Jun Qiu	100%	100%	-%	-%	-%	-%
Joyce Wang	86%	100%	-%	-%	14%	-%
<i>Executive Director:</i>						
Eddy Wu	85%	100%	-%	-%	15%	-%
<i>Other Key Management Personnel:</i>						
Pipvide Tang	89%	100%	-%	-%	11%	-%

The employment terms and conditions of all KMP are formalised in service agreements. Details of these agreements are as follows:

Name - Eddy Wu
 Title - Chief Executive Officer
 Term commenced - 1 September 2013
 Term of agreement - 1 year, renew annually
 Details - Base salary of \$100,000 per annum (inclusive of 9.5% superannuation contribution) plus discretionary bonus up to 100% of the base salary paid by cash or Company's shares. Contract renewable by mutual agreement.

Name - Pipvide Tang
 Title - Chief Financial Officer and Company Secretary
 Term commenced - 1 August 2013
 Term of agreement - 1 year, renew annually
 Details - Base salary of \$72,000 per annum plus 9.5% superannuation contribution plus discretionary bonus to be determined by the Remuneration Committee. Contract renewable by mutual agreement.

Name - Joyce Wang
 Title - Alternate Director and Accounts Manager
 Term commenced - 1 September 2013
 Term of agreement - 1 year, renew annually
 Details - Base salary of \$38,000 per annum plus 9.5% superannuation contribution. Contract renewable by mutual agreement.

The employment terms and conditions of the KMP are formalised in contracts of employment.

Terms of employment require that the relevant group provide an executive contracted person with a minimum of three months' notice prior to termination of contract. Key management personnel may terminate their employment by providing at least three months' notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance or in the event of removal for misconduct.

Non-executive directors are subject to similar contractual arrangement whereby at least three months' notice is required to be given on termination. The terms and conditions are formalised in the form of letter of appointment.

DIRECTORS' REPORT (CONTINUED)

Remuneration Expense Details for the Year Ended 30 June 2016

The following tables of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of Benefits and Payments for the Year Ended 30 June 2016

	Short-term benefits			Post-employment benefits	Long-term benefits	Equity-settled Share-based payments	Total
	Cash salary and fees \$	Cash Bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Options \$	
<i>Non – Executive Directors</i>							
Lakshman Jayaweera	72,000	-	-	-	-	-	72,000
Jun Qiu	43,836	-	-	4,164	-	-	48,000
<i>Alternate Directors</i>							
Joyce Wang	38,000*	-	-	3,610	-	6,800	48,410
<i>Executive Director</i>							
Eddy Wu	91,324	-	-	8,676	-	17,000	117,000
<i>Other Key Management Personnel</i>							
Pipvide Tang	44,000	-	-	34,840	-	10,200	89,040
Total	289,160	-	-	51,290	-	34,000	374,450

* Salary paid to Mrs Joyce Wang for her position as the accountant of the Group.

Table of Benefits and Payments for the Year Ended 30 June 2015

Director	Short-term benefits			Post-employment benefits	Long-term benefits	Equity-settled Share-based payments	Total
	Cash salary and fees \$	Cash Bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Options \$	
<i>Non – Executive Directors</i>							
Lakshman Jayaweera	72,000	-	-	-	-	-	72,000
Jun Qiu	43,836	-	-	4,164	-	-	48,000
<i>Alternate Directors</i>							
Joyce Wang	38,000*	-	-	3,610	-	-	41,610
<i>Executive Director</i>							
Eddy Wu	91,324	-	-	8,676	-	-	100,000
<i>Other Key Management Personnel</i>							
Pipvide Tang	72,000	-	-	6,840	-	-	78,840
Total	317,160	-	-	23,290	-	-	340,450

* Salary paid to Mrs Joyce Wang for her position as the accountant of the Group.

This ends the remuneration report which has been audited.

DIRECTORS' REPORT (CONTINUED)

Securities Received that are not Performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

Performance-related Share-based Payments

The terms and conditions relating to unlisted options granted as remuneration during the year to KMP are as follows:

Group KMP	Grant Date	Number of Options issued	Grant Value \$	% Vested during year	% Remaining as Unvested	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments
Joyce Wang	23 Nov 2015	4,000,000	6,800	100	0	30 Jun 2018	\$0-40,000
Eddy Wu	23 Nov 2015	10,000,000	17,000	100	0	30 Jun 2018	\$0-100,000
Pipvide Tang	23 Nov 2015	6,000,000	10,200	100	0	30 Jun 2018	\$0-60,000

The options issued to the above KMP form part of the Company's long-term incentive objective to encourage KMP to have a greater alignment with the goals and interests of the shareholders. The options issued to Mrs Joyce Wang and Mr Eddy Wu were approved by the shareholders at the 2015 annual general meeting.

Each option entitles the holder to subscribe to one fully paid ordinary shares of the Company by paying an exercising price of \$0.01 on or before 30 June 2018.

The options were valued at \$0.0017 per option at the grant date by using the Black-Scholes Valuation model with volatility at 84%, risk free interest rate at 2% and no dividend yield.

The options were vested from 1 January 2016 as determined by the Remuneration Committee and recognised the period of services provided by the recipients in the past two years without a revision of their salary packages.

No options were exercised during the financial year.

There were no shares issued to directors and other key management personnel as part of their compensation during the year ended 30 June 2016.

KMP Shareholding

The number of ordinary shares and unlisted options in Queensland Mining Corporation Ltd held by each key management personnel of the group during the financial year is as follows:

Ordinary Shares	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
Dr Lakshman Jayaweera	32,485,879	-	-	32,485,879
Mr Jun Qiu	350,336,000	-	-	350,336,000
Mr Eddy Wu	22,553,092	-	-	22,553,092
Total	405,374,971	-	-	405,374,971

Unlisted Options	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
Mr Eddy Wu	-	10,000,000	-	10,000,000
Ms Joyce Wang	-	4,000,000	-	4,000,000
Mr Pipvide Tang	-	6,000,000	-	6,000,000
Total	-	20,000,000	-	20,000,000

DIRECTORS' REPORT (CONTINUED)

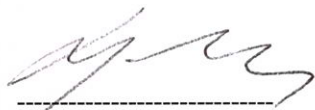
Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options and shareholdings.

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity and compensation that were conducted other than in accordance with normal employee on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:



Joyce Wang
Alternate Director

23 September 2016
Sydney

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF QUEENSLAND MINING CORPORATION LIMITED

As lead auditor of Queensland Mining Corporation Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Queensland Mining Corporation Limited and the entities it controlled during the period.



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 23 September 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	Consolidated Group	
		2016	2015
		\$	\$
Interest received		67,980	38,185
Other income	3	38,472	70,720
Accountancy fees		(13,081)	(13,404)
Auditor's remuneration	7	(43,000)	(46,015)
Depreciation expenses		(103,164)	(114,189)
Exploration expenses		(148,752)	(162,501)
Employee expenses		(493,386)	(445,424)
Impairment of plant and equipment	12	(55,981)	-
Impairment of exploration assets	14	(1,120,550)	(411,339)
Loss on disposal of tenements		(7,641)	-
Finance costs		-	(347)
Legal cost		(63,402)	(122,060)
Rental expenses		(125,172)	(139,443)
Travel expenses		(10,996)	(29,858)
Insurance		(39,698)	(40,822)
Marketing & Investor relations		(29,434)	(48,088)
Compliance fees		(28,842)	(28,352)
Other expenses		(38,465)	(45,623)
Loss before income tax	4	(2,215,112)	(1,538,560)
Tax benefit	5	-	-
Net loss for the year		(2,215,112)	(1,538,560)
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the members of the parent entity		(2,215,112)	(1,538,560)
Basic and diluted EPS	8	(0.13 cents)	(0.12 cents)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	Consolidated Group 2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	964,656	3,364,105
Trade and other receivables	10	34,991	15,568
Total current assets		<u>999,647</u>	<u>3,379,673</u>
Non-current assets			
Plant and equipment	12	622,754	781,899
Mining licences	13	14,600,113	14,533,967
Exploration and evaluation	14	11,403,497	11,077,611
Total non-current assets		<u>26,626,364</u>	<u>26,393,477</u>
Total assets		<u>27,626,011</u>	<u>29,773,150</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	71,420	127,791
Total current liabilities		<u>71,420</u>	<u>127,791</u>
Total liabilities		<u>71,420</u>	<u>127,791</u>
Net assets		<u>27,554,591</u>	<u>29,645,359</u>
EQUITY			
Issued capital	16	80,893,926	80,803,582
Share option reserve	24	34,000	-
Accumulated losses		<u>(53,373,335)</u>	<u>(51,158,223)</u>
Total equity		<u>27,554,591</u>	<u>29,645,359</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

Consolidated Group	Share Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2014	77,102,185	2,995,191	(52,614,854)	27,482,522
Total comprehensive income for the year	-	-	(1,538,560)	(1,538,560)
<i>Transactions with owners in their capacity as owners and other transfers:</i>				
Shares issued during the year	3,762,176	-	-	3,762,176
Transaction costs	(60,779)			(60,779)
Transferred to Accumulated Losses	-	(2,995,191)	2,995,191	-
Balance at 30 June 2015	80,803,582	-	(51,158,223)	29,645,359

Consolidated Group	Share Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2015	80,803,582	-	(51,158,223)	29,645,359
Total comprehensive income for the year	-	-	(2,215,112)	(2,215,112)
<i>Transactions with owners in their capacity as owners and other transfers:</i>				
Shares issued during the year	68,182	-	-	68,182
Transactions costs	(3,308)	-	-	(3,308)
Adjust transactions costs overstated in prior year	25,470	-	-	25,470
Options	-	34,000	-	34,000
Balance at 30 June 2016	80,893,926	34,000	(53,373,335)	27,554,591

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2016**

	Note	Consolidated Group	
		2016	2015
		\$	\$
Cash flows from operating activities			
Receipts from customers		20,290	68,129
Payments to suppliers and employees		(982,370)	(1,149,806)
Interest received		67,980	38,185
Finance costs		-	(347)
Net cash used in operating activities	19	(894,100)	(1,043,839)
Cash flows from investing activities			
Purchase of plant and equipment		-	(2,334)
Proceeds from sale of plant & equipment		88,182	9,091
Payment for acquisition of mining tenement		(66,146)	-
Payments for exploration and evaluation and mining licences		(1,608,261)	(1,201,109)
R&D tax incentive		84,184	104,211
Net cash used in investing activities		(1,502,041)	(1,090,141)
Cash flows from financing activities			
Proceeds from issue of shares		-	3,693,994
Share issue transaction costs		(3,308)	(60,779)
Net cash (used in)/generated by financing activities		(3,308)	3,633,215
Net (decrease)/increase in cash held		(2,399,449)	1,499,235
Cash and cash equivalents at beginning of financial year		3,364,105	1,864,870
Cash and cash equivalents at the end of financial year	9	964,656	3,364,105

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

These consolidated financial statements and notes represent those of Queensland Mining Corporation Limited and Controlled Entities (the “consolidated group” or “group”). The financial statements are presented in Australian dollars which is Queensland Mining Corporation Limited's functional and presentation currency.

The separate financial statements of the parent entity, Queensland Mining Corporation Limited, have not been presented within this financial report as permitted by the *Corporation Act 2001*.

The financial statements were authorised for issued on 23 September 2016 by the directors of the Company.

Note 1: Summary of significant accounting policies

Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporation Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for the cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Queensland Mining Corporation Limited) of all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provide in Note 11.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discounted from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Business combinations

Business combinations occur where an acquirer obtains control over or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

b. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expenses (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

d. Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Depreciation

The depreciable amount of plant and equipment is depreciated on a straight-line basis over their expected useful lives to the consolidated group from 2 to 20 years, commencing from the time the asset is held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. Exploration and development expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area.

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

f. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

g. Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of 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 asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h. Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use.

i. **Employee benefit**

Short-term employee benefit

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

Defined contribution superannuation benefits

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

j. Provision

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

k. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

l. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

m. Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

n. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

p. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

q. Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

r. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

s. Critical accounting estimates and judgements

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

Key estimates

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost to sell calculations which incorporate various key assumptions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Key judgements

Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$1,608,261.

t. **Going concern**

The Group made an operating loss of \$2,215,112 (2015: \$1,538,560) and its net cash outflow from operations was \$894,100 (2015: \$1,043,839) for the year ended 30 June 2016.

Notwithstanding the above, the directors have prepared the 2016 financial statements on a going concern basis on the following key factors:

- (i) The Company has successfully raised \$4.68m through a one to one non-renounceable rights issue in August 2016.
- (ii) The Group has cash balance of \$4.8m at the date of the approval of these financial statements.
- (iii) The cash flow forecast prepared by the directors indicates that the Group will have sufficient cash to meet its debts as and when they are due over a period no less than 12 months from the date of the approval of these financial statements without the need to carry out any additional capital raising.

u. **New accounting standards for application in future periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 2: Parent information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	Parent Entity	
	2016	2015
	\$	\$
Statement of financial position		
ASSETS		
Current assets	999,647	3,379,673
Non-current assets	26,626,364	26,393,477
Total assets	27,626,011	29,773,150
LIABILITIES		
Current liabilities	71,420	127,791
Total liabilities	71,420	127,791
EQUITY		
Issued capital	80,893,926	80,803,582
Share option reserve	34,000	-
Accumulated losses	(53,373,335)	(51,158,223)
Total equity	27,554,591	29,645,359
Statement of profit or loss and other comprehensive income		
Total loss	(2,215,112)	(1,538,560)
Total comprehensive losses	(2,215,112)	(1,538,560)

Guarantees

The parent entity had not entered any guarantees in relation to the debts of its subsidiary in the current and previous reporting period.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 3: Other income

	Consolidated Group	
	2016	2015
	\$	\$
Sales of scrapped equipment	18,182	-
Sales of plant & equipment	-	5,074
Proceed from farm-in transaction	-	10,000
Judgement debt received from the legal case	-	50,330
Other income	20,290	5,316
	<u>38,472</u>	<u>70,720</u>

Note 4: Loss for the year

Loss before income tax includes the following specific expenses:

Employee expenses

Wages and salaries	439,632	397,063
Other employment expenses	22,059	17,340
Superannuation	31,695	31,021
	<u>493,386</u>	<u>445,424</u>

Other expenses:

Rental of administration office and field office	125,172	139,443
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Impairment of assets

Exploration and evaluation expenditure (Note 14)	1,176,531	411,339
	<u>1,176,531</u>	<u>411,339</u>

Note 5: Tax benefit

The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to income tax as follows:

Loss before income tax benefit from ordinary activities	(2,215,112)	(1,538,560)
	<u>(2,215,112)</u>	<u>(1,538,560)</u>
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)	(664,534)	(461,568)

Add:

Tax effect of:

- Other non-deductible items	770	6,628
- Impairment of assets	352,959	123,402
Tax effect of tax losses not brought to account as they do not meet the recognition criteria of deferred tax assets	310,805	331,538
Income tax attributable to entity	<u>-</u>	<u>-</u>

Total tax losses for which no deferred tax asset has been recognised

<u>32,824,202</u>	<u>31,788,185</u>
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The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because it is not probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The potential future income tax benefit will be obtained if:

- i. The relevant Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be realised by another company in the Group in accordance with Division 170 of the Income Tax Assessment Act 1997.
- ii. The relevant Company and/or Group continues to comply with the conditions for deductibility imposed by the law.
- iii. No changes in tax legislation adversely affect the Company and/or the Group in realising the benefit.

Note 6: Key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

The total of remuneration paid to KMP of the Company and the Group during the year are as follows:

	Consolidated Group	
	2016	2015
	\$	\$
Short-term employee benefits	289,160	317,160
Post-employment benefits	51,290	23,290
Share-based payment	34,000	-
	<u>374,450</u>	<u>340,450</u>

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary and paid leave benefits to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the equity-settled benefit granted to the KMP and measured by the fair value of the options granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

Note 7: Auditor's remuneration

Remuneration of the auditor for:

	Consolidated Group	
	2016	2015
	\$	\$
- auditing or reviewing the financial report	43,000	46,015

Note 8: Earning per share

Loss from continuing operations	2,215,112	1,538,560
Loss used to calculate basic and diluted EPS from continuing operations	<u>2,215,112</u>	<u>1,538,560</u>
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share	1,759,478,601	1,317,450,622
Antidilutive options on issue not used in dilutive EPS calculation	<u>20,000,000</u>	<u>-</u>
Basic and diluted EPS	<u>(0.13 cents)</u>	<u>(0.12 cents)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated Group	
	2016	2015
	\$	\$
Note 9: Cash and cash equivalents		
Cash at bank and on hand	663,302	864,105
Short-term bank deposits	301,354	2,500,000
	<u>964,656</u>	<u>3,364,105</u>

The effective interest rate on short-term bank deposits was 2.4% (2015: 2.85%); these deposits have an average maturity of 90 days.

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the Consolidated Statement of Cash Flows.

Note 10: Trade and other receivables

	Consolidated Group	
	2016	2015
	\$	\$
CURRENT		
Prepayments	29,809	13,087
Other receivables	5,182	2,481
	<u>34,991</u>	<u>15,568</u>

Provision for impairment of receivables

Other receivables do not contain impaired assets and are not past due.

Credit risk

The group has no significant concentration of credit risk with respect of any single counterparty or group of counterparties. The class of assets described as "other receivables" is considered to be the main source of credit risk related to the Group.

Note 11: Interests in subsidiaries

Information about principal subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares that are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		2016	2015
		%	%
North Queensland Mines Pty Ltd	Australia	100	100
Mt Norma Mining Company Pty Ltd	Australia	100	100
Flamingo Copper Mines Pty Ltd	Australia	100	100
Spinifex Mines Pty Ltd	Australia	100	100
Soldiers Cap Mining Pty Ltd	Australia	100	100
Cloncurry Mining Company Pty Ltd	Australia	100	100
Kuridala Mining Pty Ltd	Australia	100	100
Mt McNamara Pty Ltd	Australia	100	100
Sierra Line Pty Ltd	Australia	100	100
QMC Operations Pty Ltd	Australia	100	100
White Range Mines Pty Ltd	Australia	100	100
QMC Exploration Pty Ltd	Australia	100	100
Iron Ridge – Black Fort Pty Ltd	Australia	100	100
Mt McCabe Pty Ltd	Australia	100	100
Maxiforde Pty Ltd	Australia	100	100

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated Group	
	2016	2015
	\$	\$
Note 12: Plant and equipment		
At cost	7,482,829	7,482,829
Accumulated depreciation	(4,239,100)	(4,135,936)
Accumulated impairment losses	(2,620,975)	(2,564,994)
	<u>622,754</u>	<u>781,899</u>

Movement in carrying amounts

Movement in the carrying amounts between the beginning and the end of the current financial year:

Balance at the beginning of year	781,899	897,770
Additions	-	2,334
Depreciation	(103,164)	(114,189)
Impairment loss	(55,981)	-
Disposal	-	(4,016)
Balance at the end of year	<u>622,754</u>	<u>781,899</u>

Impairment losses

No impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income during the prior period.

During the year the plant and equipment with total carrying value of \$55,981 was identified obsolete and impaired.

Note 13: Mining licences

At cost	17,062,209	16,996,063
Accumulated impairment losses	(2,462,096)	(2,462,096)
	<u>14,600,113</u>	<u>14,533,967</u>

Movement in carrying amounts

Movement in the carrying amounts between the beginning and the end of the current financial year:

Balance at the beginning of year	14,533,967	14,533,967
Additions	66,146	-
Balance at the end of year	<u>14,600,113</u>	<u>14,533,967</u>

Impairment losses

No impairment loss was recognised in the statement of profit or loss during the current and prior period.

Note 14: Exploration and evaluation

At cost	25,578,507	24,047,887
Accumulated R&D incentives	(871,900)	(787,716)
Accumulated impairment losses	(13,303,110)	(12,182,560)
	<u>11,403,497</u>	<u>11,077,611</u>

Movement in carrying amounts

Balance at the beginning of year	11,077,611	10,392,052
Additions	1,608,261	1,201,109
Disposal	(77,641)	-
Impairment loss	(1,120,550)	(411,339)
R&D incentives	(84,184)	(104,211)
Balance at the end of year	<u>11,403,497</u>	<u>11,077,611</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Impairment losses

The total impairment loss recognised in the statement of profit or loss during the prior period amounted to \$411,339 and is separately presented in the statement as "impairment of assets".

During the year, impairment of \$1,120,550 was recognised in respect of exploration costs on the areas of interest which have been relinquished and will be planned to relinquish in the next 12 months.

	Consolidated Group	
	2016	2015
	\$	\$
Note 15: Trade and other payables		
CURRENT		
Unsecured liabilities		
Trade payables	32,409	82,049
Sundry payables and accrued expenses	39,011	45,742
	<u>71,420</u>	<u>127,791</u>

Note 16: Issued capital

1,760,573,636 fully paid ordinary shares (2015: 1,748,382,729 fully paid ordinary shares)

80,893,926 80,803,582

Movement in ordinary share capital

Details	Date	No. of shares	Value \$
Balance	30 Jun 2014	1,126,349,328	77,102,185
Issue of shares at \$0.0118 per share	24 Jul 2014	2,889,068	34,091
Issue of shares at \$0.006 per share	29 Jan 2015	615,665,660	3,693,994
Issue of shares at \$0.0098 per share	24 Feb 2015	3,478,673	34,091
Share issue transaction costs, net of tax		-	(60,779)
Balance	30 Jun 2015	1,748,382,729	80,803,582
Issue of shares at \$0.0054	7 Sep 2015	6,313,148	34,091
Issued of shares at \$0.0058	2 Feb 2016	5,877,759	34,091
Share issue transactions costs, net of tax			(3,308)
Adjust transaction costs overstated in prior year		-	25,470
Balance	30 June 2016	1,760,573,636	80,893,926

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

For information relating to details of options issued, exercised and lapsed during the financial year and the options outstanding at the year-end, refer to Note 20.

Share buy-back

There is no current on-market share buy-back.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Capital management

Management controls the capital of the Group in order to maintain a capital structure to generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Note 17: Leasing commitments

	Consolidated Group	
	2016	2015
	\$	\$
Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements:		
Payable – minimum lease payment		
- not later than 12 months	43,307	52,444
- between 12 months and five years	-	43,307
	<u>43,307</u>	<u>95,751</u>

Operating lease commitments includes contracted amounts for various office and staff quarters under non-cancellable operating leases expiring within one to two years. On renewal, the terms of the leases are renegotiated.

Note 18: Operating segments

Identification of operating segments

The Group is organised into one operating segment, being mining and exploration operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

Types of products and services

The principal products and services of this operating segment are the mining and exploration operation predominately in Australia.

Major customers

All the mining projects of the consolidated entity are in exploration stage and has no major customers for its products and services.

Geographical region

The consolidated entity only has one geographical segment as all exploration licences issued to the Group lie within the Cloncurry region of Queensland, Australia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 19: Cash flow information

Reconciliation of cash flow from operating activities with loss after income tax

	Consolidated Group	
	2016	2015
	\$	\$
(Loss) after income tax	(2,215,112)	(1,538,560)
Adjustment for:		
- depreciation	103,164	114,189
- profit on disposal of asset	(10,541)	(5,075)
- impairment of assets	1,176,531	411,339
- share based payments	102,182	68,182
- shares issuing costs overstated in prior year	25,470	-
Changes in assets and liabilities		
- (increase)/decrease in trade and other receivables	(19,423)	7,799
- decrease in trade and other payables	(56,371)	(101,713)
Cash outflow from operating activities	(894,100)	(1,043,839)

Note 20: Share-based payments

On 23 November 2015, 20,000,000 share options were granted to three KMP to take up ordinary shares at an exercise price of \$0.01 each. All the options were vested on 1 January 2016. The options are exercisable on or before 30 June 2018. The options hold no voting or dividend rights and are not transferable.

The options were valued at \$0.0017 per option at the grant date by using the Black-Scholes Valuation model with volatility at 84%, risk free interest rate at 2% and no dividend yield.

No options were expired, exercised or forfeited during the financial year. 20,000,000 share options were outstanding as at the end of the financial year.

Note 21: Events after the reporting period

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

On 4 August 2016, the Company issued 1,137,942,404 ordinary shares at \$0.004 per share under the 1 for 1 Rights Issue offered to shareholders on 16 June 2016. The total funds raised from the offer before expenses was \$4,551,770.

On 15 August 2016, the Company signed an option agreement with Ausmex Mining Pty Limited in which an option was granted to them to partake in some non-core gold mining tenements and assets of the Company under a staged program and joint venture. Ausmex is planning a public listing on an Australian securities exchange. If the option is exercised, Ausmex will pay an exercising fee of \$1 million in the form of listed shares in Ausmex to the Company and raise the fund to develop the mines and proceed to production of gold. The Company will hold 40% interest in the joint venture and Ausmex holds the balance 60%. Under certain production targets being met Ausmex has the obligation to buy the 40% interest held by the Company by paying \$2 million in cash.

On 29 August 2016, the Company, out from the under-subscription pool of the Rights Issue, made a placement of 31,990,850 ordinary shares to a sophisticated investor and raised \$127,963.

On 29 August 2016, the Company issued 6,818,200 ordinary shares to Redrock Exploration Services Pty Ltd as full settlement of \$34,091 exploration consultancy services provided.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 22: Related party transactions

Related parties

- a. The Group's main related parties are as follows:
- (i) Key management personnel
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.
 - (ii) Other related parties
Other related parties include entities over which key management personnel have joint control.
- b. Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with KMP:

	Consolidated Group	
	2016	2015
	\$	\$
Payment for goods and services:		
Payment for office space from WIM Resources Pty Ltd (CEO-related entity)	28,700	27,600

- c. Amount outstanding with related parties
There were no outstanding receivables or payables to related parties at the current and previous reporting date.
- d. Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 23: Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated Group	
	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	964,656	3,364,105
Trade and other receivables	34,991	15,568
Total financial assets	999,647	3,379,673
Financial liabilities		
Trade and other payables	71,420	127,791
Total financial liabilities	71,420	127,791

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Financial risk management policies

The Audit and Risk Committee (ARC) has been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Group. The ARC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, liquidity risk and interest rate risk. The ARC meets on requested basis and minutes of the ARC are reviewed by the Board.

The ARC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and interest rate risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant counterparties), ensuring to the extent possible that counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the ARC has otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the Group has significant credit risk exposures to Australia given the substantial operations in the region. Details with respect to credit risk of trade and other receivables are provided in Note 10.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 10.

Credit risk related to balances with banks and other financial institutions is managed by the ARC in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a credit rating of at least AA-. The following table provides information regarding the credit risk relating to cash based on counterparty credit ratings.

	Consolidated Group	
	2016	2015
	\$	\$
Cash and cash equivalents		
- AA- rated	964,656	3,364,105
	964,656	3,364,105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Consolidated Group	Within 1 Year		Total	
	2016	2015	2016	2015
Financial liabilities due for payment				
Trade and other payables	71,420	127,791	71,420	127,791
Total expected outflows	71,420	127,791	71,420	127,791
Financial assets – cash flows realisable				
Cash and cash equivalents	964,656	3,364,105	964,656	3,364,105
Trade and other receivables	34,991	15,568	34,991	15,568
Total anticipated inflows	999,647	3,379,673	999,647	3,379,673
 Net inflow on financial instruments	 928,227	 3,251,882	 928,227	 3,251,882

c. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk are cash and cash equivalents.

Interest rate risk is managed using a mix of fixed and floating rate instruments. To minimise its exposure the group is placing its surplus fund in terms not exceeding 6 months.

Fair values

Fair value estimation

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

The consolidated entity has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. For all these financial instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 24: Reserves

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

	Consolidated	
	2016	2015
	\$	\$
Share options reserve	34,000	-

20,000,000 unlisted options were granted during the year ended 30 June 2016. Each option entitles the holder to subscribe one fully paid ordinary shares of the Company by paying an exercise price of \$0.01 per share on or before 30 June 2018.

No options were exercised during the financial year.

Movement in share options reserve

Details	No. of options	Value \$
Balance 30 June 2014	17,450,000	2,995,191
Expired during the year – transferred to accumulated losses	(17,450,000)	(2,995,191)
Balance 30 June 2015	-	-
Issue of unlisted options	20,000,000	34,000
Balance 30 June 2016	20,000,000	34,000

Note 25: Litigation

On 9 July 2013, the Company filed a Statement of Claim in the Federal Court of Australia against its former Managing Director, Mr Howard Victor Renshaw and his controlled entity Butmall Pty Ltd. DFK Richard Hill Pty Limited is named as a third defendant in the Statement of Claim, but solely in its capacity as the holder of funds paid to its trust account. The Statement of Claim pertains to payments that were made to Mr Renshaw and Butmall Pty Ltd in the amount of \$677,333 in aggregate, following Mr Renshaw's ceasing to be the Managing Director of the Company in October 2012. Costs and interest are also claimed.

The \$677,333 paid was expensed as employees' expenses in the FY2013. The amount was also included in the calculation and payment of the worker compensation insurance premium and the payroll tax for the NSW Office of State Revenue in FY2013.

On 29 August 2013, Mr Renshaw and Butmall Pty Ltd filed a defence to the aforementioned Statement of Claim filed by the Company on 9 July 2013. In addition, the parties lodged a Counter Claim against the Company pursuant to which they seek payment of: \$110,000 plus interest at 12% per annum from 21 December 2012 to the day of payment; \$161,894 plus GST and interest at Court rates until the date of payment; damages; interest and costs on an indemnity basis.

The proceedings were heard on 5 and 6 February 2014.

On 10 April 2014, the Federal Court of Australia delivered its judgment. The Court found in the Company's favour (including costs) in the main case and also dismissed the Counter Claim by Mr. Renshaw and Butmall Pty Ltd.

Following the judgement delivered by the Court the Company received from DFK Richard Hill Pty Limited the sum of \$50,330 being the fund held in its trust account for Mr Renshaw. The amount received was accounted for as other income in the 2015 financial statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

On 3 June 2014, Mr Renshaw and Butmall Pty Ltd filed an appeal against the judgment. The appeal was heard on 26 November 2014 before the Full Court of the Federal Court of Australia and was dismissed with costs.

Following the appeal was dismissed, the payment of \$677,333 made to Mr Renshaw and Butmall Pty Limited were no longer treated as remuneration paid to an employee. In this regard, the Company has successfully amended the worker compensation insurance declaration for the 2013 financial year and received a refund of overpaid premium from the underwriter. The Company is preparing to lodge an amendment with the NSW Office of State Revenue and try to recover the overpaid payroll tax in FY 2013.

In December 2014 and January 2015 the Company served a bankruptcy notice and a statutory demand to Mr Renshaw and Butmall Pty Limited respectively to procure payment of the judgement debts. The parties applied to courts seeking to set aside the bankruptcy notice and statutory demand but were dismissed with cost in June 2015.

In July 2015, the Company commenced the process to procure the payments of the judgement debts due from Mr Renshaw and Butmall Pty limited.

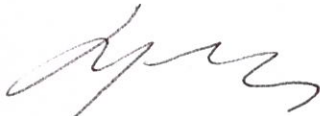
In December 2015, the Federal Court ordered Butmall Pty Limited be wound up.

In 27 April 2016, the Federal Circuit Court ordered the bankruptcy of Mr Renshaw effective immediately. Mr Renshaw lodged an appeal to the order on 11 May 2016. The appeal is expected to be heard in November 2016.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Queensland Mining Corporation Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out on page 26 to 52, are in accordance with the *Corporation Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s.296A of the *Corporation Act 2001* from the Chief Executive Officer and Chief Financial Officer.



Joyce Wang
Alternate Director

23 September 2016
Sydney

INDEPENDENT AUDITOR'S REPORT

To the members of Queensland Mining Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of Queensland Mining Limited, 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 consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 company'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 company'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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Queensland Mining Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Queensland Mining Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

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.

Opinion

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

BDO East Coast Partnership



Gareth Few
Partner

Sydney, 23 September 2016

Mining Titles & Interest Report

Tenement Number	Tenement Name	QMC Interest	Company	Status
EPM13091	Notlor	Exclusive Exploration Right	Exco Resources	Granted
EPM 13336	Duck Creek	100%	North Queensland Mines Pty Limited	Granted
EPM 14148	White Range #1	100%	Sierra Line Pty Ltd	Granted
EPM 14163	White Range #2	100%	Mt Norma Mining Company Pty Limited	Granted
EPM 14475	White Range #4	100%	Spinifex Mines Pty Ltd	Granted
EPM 15706	Tommy Creek	100%	Queensland Mining Corporation Limited	Granted
EPM 15718	Duck Creek South	100%	North Queensland Mines Pty Limited	Granted
EPM 15740	Kuridala South	Exclusive Exploration Right	Exco Resources	Granted
EPM 15858	Sunny Mount	100%	QMC Exploration Pty Limited	Granted
EPM 15879	Mt Norma	100%	Mt Norma Mining Company Pty Limited	Granted
EPM 15897	White Range Consolidated	100%	Sierra Line Pty Ltd	Granted
EPM 16078	Jessievale	100%	Queensland Mining Corporation Limited	Granted
EPM 16628	Mt Brownie	100%	Queensland Mining Corporation Limited	Granted
EPM 16976	Mt Sheaffer	100%	North Queensland Mines Pty Ltd	Granted
EPM 17602	Top Camp	85%	Iron Ridge-Black Fort Pty Ltd	Granted
EPM 18106	Flamingo West	100%	Flamingo Copper Mines Pty Ltd	Granted
EPM 18286	Elder Creek	100%	Flamingo Copper Mines Pty Ltd	Granted
EPM 18440	Slaty Creek	100%	Queensland Mining Corporation Limited	Granted
EPM 18663	Gold Reef Dam	100%	Queensland Mining Corporation Limited	Granted
EPM 18912	Wedgetail	Exclusive exploration right for 6 sub-blocks	Ivanhoe Cloncurry Mines Pty Limited	Granted
EPM25669	Jackeys Creek	100%	FLAMINGO COPPER MINES PTY LTD	Granted
EPM25849	Copper Canyon East	100%	Sierra Line Pty Ltd	Granted
EPM25669	Strathfield	100%	Queensland Mining Corporation Limited	Granted
MDL 204	Copper Canyon	100%	White Range Mines Pty Ltd	Granted
MDL 205	Greenmount	100%	White Range Mines Pty Ltd	Granted
ML 2506	Mount Norma	100%	Mt Norma Mining Company Pty Ltd	Granted
ML 2510	Southern Cross	100%	North Queensland Mines Pty Ltd	Granted
ML 2517	Answer	100%	North Queensland Mines Pty Ltd	Granted
ML 2518	Winston Churchill	100%	Queensland Mining Corporation Ltd	Granted
ML 2519	Vulcan	100%	White Range Mines Pty Ltd	Granted
ML 2535	Sally	100%	North Queensland Mines Pty Ltd	Granted
ML 2537	Dulce	100%	North Queensland Mines Pty Ltd	Granted

Mining Titles & Interest Report (continued)

Tenement Number	Tenement Name	QMC Interest	Company	Status
ML 2540	Belfast	100%	North Queensland Mines Pty Ltd	Granted
ML 2541	Belgium	100%	North Queensland Mines Pty Ltd	Granted
ML 2543	Jackley	100%	North Queensland Mines Pty Ltd	Granted
ML 2544	Dulce Extended # 2	100%	North Queensland Mines Pty Ltd	Granted
ML 2548	Dandy	100%	North Queensland Mines Pty Ltd	Granted
ML 2549	Trump	100%	North Queensland Mines Pty Ltd	Granted
ML 2550	Mount Norma #2	100%	Mt Norma Mining Company Pty Ltd	Granted
ML 2551	Mount Norma #3	100%	Mt Norma Mining Company Pty Ltd	Granted
ML 2709	Gilded Rose	100%	Spinifex Mines Pty Ltd	Granted
ML 2711	Button	100%	Spinifex Mines Pty Ltd	Granted
ML 2713	Gilded Rose Extended East	100%	Spinifex Mines Pty Ltd	Granted
ML 2718	Gilded Rose Extended West	100%	Spinifex Mines Pty Ltd	Granted
ML 2719	Gilt Edge Extended East 1	100%	Spinifex Mines Pty Ltd	Granted
ML 2741	Mt Freda	100%	Spinifex Mines Pty Ltd	Granted
ML 2742	Evening Star	100%	Spinifex Mines Pty Ltd	Granted
ML 2750	Evening Star North Extended	100%	Spinifex Mines Pty Ltd	Granted
ML 2752	Mt Freda Extended	100%	Spinifex Mines Pty Ltd	Granted
ML 2763	Evening Star North	100%	Spinifex Mines Pty Ltd	Granted
ML 2777	New Dollar	100%	North Queensland Mines Pty Ltd	Granted
ML 2778	Horseshoe	100%	North Queensland Mines Pty Ltd	Granted
ML 2779	Mountain Maid	100%	North Queensland Mines Pty Ltd	Granted
ML 2788	Two Mile	100%	North Queensland Mines Pty Ltd	Granted
ML 7498	Little Beauty	100%	Queensland Mining Corporation Ltd	Granted
ML 7511	Young Australian #2	100%	North Queensland Mines Pty Limited	Granted
ML 7512	Young Australian	100%	North Queensland Mines Pty Limited	Granted
ML 90081	Hampden Copper (Kuridala)	100%	White Range Mines Pty Ltd	Granted
ML 90082	Mt McCabe	100%	White Range Mines Pty Ltd	Granted
ML 90083	Stuart	100%	Maxiforde Pty Ltd	Granted
ML 90084	Young Australian Extended	100%	North Queensland Mines Pty Limited	Granted
ML 90088	Chinaman	100%	North Queensland Mines Pty Limited	Granted
ML 90099	Australian	100%	North Queensland Mines Pty Limited	Granted
ML 90103	New Snow Ball	100%	Flamingo Copper Mines Pty Ltd	Granted
ML 90104	Mossy's Dream	100%	Flamingo Copper Mines Pty Ltd	Granted
ML 90134	Greenmount	100%	White Range Mines Pty Ltd	Granted
ML 90147	Eva	100%	North Queensland Mines Pty Limited	Granted
ML 90148	Mount Timberoo	100%	North Queensland Mines Pty Limited	Granted

Mining Titles & Interest Report (continued)

Tenement Number	Tenement Name	QMC Interest	Company	Status
ML 90149	Mt McNamara	100%	North Queensland Mines Pty Limited	Granted
ML 90161	Phil's Find	100%	White Range Mines Pty Ltd	Granted
ML 90172	Mt Norma Surround 1	100%	Mt Norma Mining Company Pty Ltd	Granted
ML 90173	Mt Norma Surround 2	100%	Mt Norma Mining Company Pty Ltd	Granted
ML 90174	Mt Norma Surround 3	100%	Mt Norma Mining Company Pty Ltd	Granted
ML 90175	Mt Norma Surround 4	100%	Mt Norma Mining Company Pty Ltd	Granted
ML 90176	Mt Norma Surround 5	100%	Mt Norma Mining Company Pty Ltd	Granted
MC 4348	Mt Debbie a	100% being transferred	Cudeco	Granted
MC 4349	Mt Debbie b	100%	Queensland Mining Corporation Limited	Granted
MC 4350	Mt Debbie c	100%	Queensland Mining Corporation Limited	Granted

ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

The following information is current as at 23 September 2016:

1. Shareholding

a. Distribution of shareholders

Holding ranges	No. of ordinary shares holders
1-1,000	63
1,001-5,000	158
5,001-10,000	229
10,001-100,000	1,085
100,001-100,000,000	582
	<hr/> 2,117 <hr/>

- b. The number of shareholdings held in less than marketable parcels is 1,581.
c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	No of ordinary shares held	% to issued shares
Perfect Nation Global Limited	1,125,775,040	38.33
Great Tang Brothers Resources Investment P/L	700,672,000	23.85
Bradley Polaris Pty Ltd <Bradley S/F A/C>	313,981,700	10.69

d. Voting rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

Options carry no voting rights.

e. 20 Largest shareholders – ordinary shares

	Ordinary shares	
	Number held	% of total shares issued
Perfect National Global Limited	1,067,229,016	36.333
Great Tang Brother Resources Investment Pty Ltd	700,672,000	23.854
Bradleys Polaris Pty Ltd <Bradley S/F A/C>	313,981,700	10.689
Mr Guo Tang	89,605,440	3.051
Perfect National Global Limited	58,546,024	1.993
Tulla Resources Group Pty Ltd <Tulla Resources Invest A/C>	54,903,933	1.869
THTF Australia Mining Pty Ltd	44,571,474	1.517
Redrock Exploration Services Pty Ltd	32,013,226	1.090
Ms Faby Chong	30,000,000	1.021
Holmberg Nominees Pty Ltd <NL Burton P/L S/F NO2 A/C>	30,000,000	1.021
Ms Meiting Lu	23,168,072	0.789
Mr Fei Wu	22,553,092	0.768
Berkon Pty Ltd <Hockey Family Super Fund A/C>	19,442,946	0.662
Chemmet Pty Ltd	18,820,804	0.641
Brevmar Pty Ltd <Glen Invst S/F A/C>	15,750,000	0.536

Chemmet Pty Ltd <Super Fund A/C>	15,037,575	0.512
WL Mallan Nominees Pty Ltd <WLM Superannuation Fund A/C>	10,080,000	0.343
Marley Holdings Pty Ltd	8,160,000	0.278
Mrs Susan Holt	6,940,456	0.236
Morbride Pty Ltd <Morbride S/F A/C>	6,389,600	0.218

- f. Options over unissued shares
A total of 20,000,000 unlisted options are on issue to three Key Management Personnel.

CORPORATE DIRECTORY

DIRECTORS

Dr Lakshman Jayaweera
Mr Eddy Wu
Mr Jun Qiu
Ms Joyce Wang

COMPANY SECRETARY

Mr Pipvide Tang

REGISTERED AND HEAD OFFICE

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REGIONAL OFFICE

100 Railway Street,
Cloncurry QLD 4824.

SHARE REGISTRY

Boardroom Pty Limited.
Level 12
225 George Street
Sydney NSW 2000

AUDITORS

BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

Queensland Mining Corporation Limited shares are listed on the Australian Securities Exchange (ASX code: QMN).