



EMERALD
RESOURCES NL

ABN: 72 009 795 046

ANNUAL REPORT

for the year ended 30 June 2016

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This financial report covers the consolidated entity consisting of Emerald Resources NL ("Emerald" or "the Company") and its subsidiaries (together "the Group" or "the Consolidated Entity"). The financial report is presented in the Australian currency.

Emerald Resources NL is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Emerald Resources NL
1110 Hay Street
West Perth, WA, 6005

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the operating and financial review in the Directors' Report on pages 5-15.



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Corporate Information

Directors:

Simon Lee AO
Morgan Hart
Justin Tremain
Ross Stanley
Ross Williams

Non-Executive Chairman
Managing Director
Executive Director
Non-Executive Director
Non-Executive Director

Registered & Principal Office

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Mark Clements

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Chairman's Letter

Dear Fellow Shareholders,

In my last address to you I reported the Company was poised to take advantage of emerging opportunities in the broader resources sector.

Earlier this year, we identified a project which demonstrated the potential for our team to add significant value. The Okvau Gold Project and adjoining O'Chhung licences cover approximately 400km² located within the core of a prospective Intrusive Related Gold province in the eastern plains of Cambodia (Cambodia Gold Project) and are held by Renaissance Minerals Limited (ASX:RNS). The Okvau Deposit has an independent JORC Indicated and Inferred Resource estimate of 15.8Mt at 2.2g/t for 1.131Moz of gold of which over 80% is in the Indicated category.

In February 2016, we entered into a Memorandum of Agreement with Renaissance whereby we could earn up to a 51% interest in the Cambodian Gold Project by sole funding a Definitive Feasibility Study (DFS) for the development of the Okvau Gold Deposit to a bankable level, an Environmental & Social Impact Assessment and a 2 year exploration program of US\$3 million.

At the time, we also invested \$1.7M for a 10% equity interest in Renaissance and appointed Non-Executive Director, Ross Williams to the Renaissance Board. This investment is currently valued at \$3.85M.

Renaissance previously completed a Pre-feasibility Study which demonstrated the potential for a robust, low cost development with an initial Life of Mine of 8 years, producing on average 91,500 ounces of gold per annum. Our team, led by respected mining executive, Morgan Hart, has immediately focussed on the expansion of the existing Study to enable the completion of a DFS on the Okvau Project.

During the period, Emerald and Renaissance have been moving forward with a significant exploration program including a drilling program designed to increase the confidence of the resource model for use in the estimation of a maiden reserve and to test the peak geochemical soil anomalies identified within close proximity to the Okvau Deposit that offer considerable upside scope for additions to the currently defined 1.13Moz resource estimate.

In July, the synergies between the Emerald and Renaissance development strategy were such that we jointly announced that we had entered into a definitive Bid Implementation Agreement in relation to a proposal to merge the two companies. This opportunity was put to Renaissance shareholders and I am pleased to advise that as at the date of this report, over 90% of these holders had accepted the terms of our offer.

The merged entity creates a well-funded, gold development company which is well positioned for continued project expansion and development and further opportunities. The simplified single ownership structure and operational management allows for acceleration of exploration and development. Our Board has also gained the highly credentialed and experienced Mr Justin Tremain as Executive Director.

We look forward to presenting the completed DFS to shareholders inclusive of the development path and timeline for the Okvau Gold Project early in the new year. The study will be focused on the optimisation of capital and operating costs through process, design and mining efficiencies which our team have been able to deliver on gold projects in the past.

On behalf of the Board I would like to thank all our shareholders and staff for your continued support.

SIMON LEE AO
Chairman

Directors' Report

Your Directors are pleased to submit their report on the Consolidated Entity ("Consolidated Entity" or "Group") representing Emerald Resources NL (the "Company") and its controlled entities, for the year ended 30 June 2016.

1. DIRECTORS

The names and details of Directors in office at any time during the financial year including up to the date of this report are:

Simon Lee AO Non-Executive Chairman

Experience and Expertise

Mr Lee has had extensive management experience with a diverse range of business enterprises in a career that has based him in Asia, England, Canada and Australia. Mr. Lee has held a number of positions, which included Board Member of the Australian Trade Commission (AUSTRADE) and President of the Western Australian Chinese Chamber of Commerce Inc. In 1993, he received the Advance Australia Award for his contribution to commerce and industry and in 1994, he was bestowed an Officer of the Order of Australia. Mr Lee has a successful track record in the resources industry which has included building gold mine companies, Great Victoria Gold NL, Samantha Gold NL and Equigold NL.

Other Current Directorships

MOD Resources Limited, Non-Executive Director

Other Directorships in the Last Three Years

None

Morgan Hart Managing Director

Experience and Expertise

Mr Hart is a Geologist and experienced Mining Executive. He is formerly an Executive Director and Chief Operating Officer of Regis Resources Ltd, responsible for the development of three gold mines in four years (Moolart Well, Garden Well and Rosemont). Prior to that, Mr Hart was Executive Director and Chief Operating Officer of Equigold NL, responsible for the development and construction of the Bonikro Gold Project in Ivory Coast West Africa in addition to the management of Equigold's Australian mining operations.

Other Current Directorships

None

Other Directorships in the Last Three Years

Regis Resources Ltd, Executive Director



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Directors' Report (continued)

Ross Stanley Non-Executive Director

Experience and Expertise

Mr Stanley is a well-respected mining executive with extensive experience both in Australia and African mining enterprises. Mr Stanley was formally the majority shareholder and Managing Director of ASX Listed Stanley Mining Services prior to its merger with Layne Christensen in 1997. Stanley Mining was the dominant drill services provider in Ghana in the 1990's. Ross also served as a Non-Executive Director of Equigold NL.

Other Current Directorships

None

Other Current Directorships in the Last Three Years

None

Ross Williams Non-Executive Director

Experience and Expertise

Mr Williams is a founding shareholder of MACA Limited and up until July 2014 held the position of CFO and Finance Director with responsibility for capital management, finance, financial reporting and corporate strategy. He played a key role in the highly successful initial public offering of MACA in 2010 and was pivotal to its subsequent success as a publicly listed company. Mr Williams holds a Post Graduate Diploma in Financial Services Management from Macquarie University and was a Fellow of the Australian Institute of Banking and Finance prior to establishing MACA in 2002.

Other Current Directorships

Neon Energy Limited, Chairman
Renaissance Minerals Limited, Non-Executive Director

Other Directorships in the Last Three Years

MACA Limited, Non-Executive Director

Justin Tremain Executive Director, *appointed 27 September 2016*

Experience and Expertise

Mr Tremain graduated from the University of Western Australia with a Bachelor of Commerce degree. Mr Tremain has over 10 years' investment banking experience in the natural resources sector. He has held positions with Investec, NM Rothschild & Sons and Macquarie Bank and has extensive experience in the funding of natural resource projects in the junior to mid-tier resource sector. Mr Tremain has undertaken numerous advisory assignments for resource companies, including acquisition and disposal assignments and project advisory roles.

Other Current Directorships

Renaissance Minerals Limited, Managing Director
Berkut Minerals Limited, Non-Executive Director

Other Directorships in the Last Three Years

None

Directors' Report (continued)

2. COMPANY SECRETARY

Mark Clements

Mr Clements gained a Bachelor of Commerce degree from the University of Western Australia. He is a Fellow of the Institute of Chartered Accountants and a member of both the Australian Institute Company Directors and the Governance Institute of Australia. Mr Clements currently holds the position of Company Secretary of a number of publically listed companies and has experience in corporate finance, accounting and administration, capital raising and ASX Compliance and regulatory requirements.

3. DIRECTORS' MEETINGS

During the financial year, the following Directors' meetings were held:

Directors	Meetings Attended	Meetings Eligible to Attend
S. Lee	5	5
M. Hart	5	5
R Stanley	5	5
R. Williams	5	5

There were also 7 occasions when the Board resolved matters via circular resolution.

4. PRINCIPAL ACTIVITIES

The principal activities of the Group were the exploration and development of the Okvau Gold Project in Cambodia and continued analysis of opportunities in the broader resources sector with a view to enhancing shareholder value.

5. OPERATING AND FINANCIAL REVIEW

5.1 Okvau Gold Project

Following a due diligence program, including geological and technical analysis, site visits and legal review, on 3 February 2016, the Company advised that it had entered into a legally binding Memorandum of Agreement (MoA) with Renaissance Minerals Limited (Renaissance)(ASX:RNS) whereby Emerald may earn up to a 51% interest in Renaissance's Cambodian Gold Project by sole funding a Definitive Feasibility Study (DFS) for the development of Okvau Gold Deposit inclusive of an Environmental and Social Impact Assessment (ESIA) and a 2 year exploration program of US\$3 million.

The Okvau Gold Project and adjoining O'Chhung licences which also form part of the MoA cover approximately 400km² of project area and are located within the core of a prospective Intrusive

Related Gold province in the eastern plains of Cambodia (Cambodian Gold Project). The Project is located in the Mondulkiri Province of Cambodia approximately 265 kilometres north-east of the capital Phnom Penh (Figure 1).

Directors' Report (continued)

An independent JORC Indicated and Inferred Resource estimate of 15.8Mt at 2.2g/t for 1.131Moz of gold was completed for the Okvau Deposit in July 2015 (as announced by Renaissance on 27 July 2015)(Table 3). Importantly, approximately 85% the resource estimate is in the Indicated category. The resource estimate comprises 13.2Mt at 2.3g/t gold for 0.96Moz of gold in the Indicated resource category plus 2.7Mt at 2.0g/t gold for 0.17Moz of gold in the Inferred resource category (Table 3).

Renaissance completed a Pre-Feasibility Study (Study) in July 2015 for the development of a 1.5Mtpa operation based only on the Okvau Deposit via an open pit mining operation. The Study was completed to +/-20% level of accuracy and there has been no material change.

The Study demonstrates the potential for a robust, low cost development with an initial Life of Mine of 8 years, producing on average 91,500 ounces of gold per annum via conventional open pit mining methods from a single pit to be mined in three stages. A summary of these results based on the ASX market release dated 27 July 2015 by Renaissance is set out in Table 3.

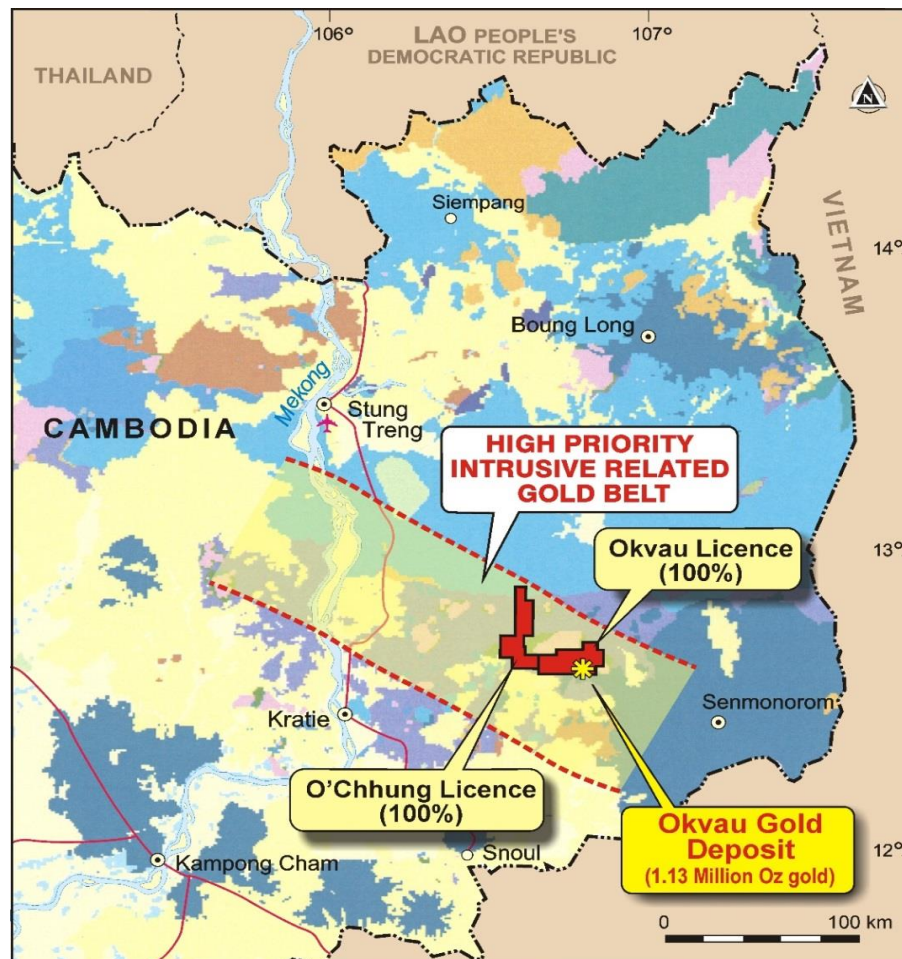


Figure 1: Location of Okvau and O'Chhung licences

Emerald also subscribed for 57.4 million shares in Renaissance as part of an equity placement of 114.8 million shares at 3 cents per share to raise \$3.4 million. As at the date of this report, Emerald holds a 10% interest in Renaissance and is represented on the Renaissance Board by Mr Ross Williams.

Directors' Report (continued)

The MoA was subject to certain conditions including:

- Execution of a Farm-in and Joint Venture Agreement on customary terms
- Emerald shareholder approval for the proposed change in the nature and scale of Emerald's operations
- ASX granting Emerald conditional approval for the securities in Emerald to be re-instated to trading on the ASX following re-compliance with Chapters 1 and 2 of the ASX Listing Rules
- Renaissance shareholder approval for the Joint Venture
- Renaissance and Emerald obtaining necessary approvals and consents from the Cambodian Government

A general meeting was held on 31 March 2016 to seek the approval by Shareholders of the following resolutions:

- (a) As the Company was an oil and gas exploration company, participation in the Joint Venture represented a significant change in the nature or scale of the Company's operations to a gold exploration and development company, for which Shareholder approval was required under ASX Listing Rule 11.1.2.
- (b) The Company undertook a capital raising by issuing 33,334 Shares at 3 cents per Share to raise \$1,000 via a prospectus (Capital Raising). The Capital Raising was for a nominal amount only as the Company had sufficient working capital for its current intentions, but was requested to undertake the Capital Raising to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

All resolutions were passed unanimously.

On 5 May 2016, the Company issued 33,334 fully paid ordinary shares at \$0.03 per share (\$1,000) pursuant to the offer made under the prospectus dated 30 March 2016 and to satisfy the conditions of the Company's compliance with Chapters 1 and 2 of the ASX Listing Rules.

Following satisfaction of the all the Conditions on 10 May 2016, the Company was relisted on 17 May 2016 and moved forward with Renaissance to implement a significant exploration program which initially focussed on testing previously identified target areas that offer considerable upside scope for additions to the currently defined 1.13Moz resource estimate at the Okvau Deposit.



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Directors' Report (continued)

Merger with Renaissance Minerals Ltd

Subsequent to year end, Emerald and Renaissance jointly announced they have entered into a Bid Implementation Agreement in relation to a proposal to merge the two companies. It is proposed that Emerald will acquire all of the issued shares of Renaissance that it does not already own in a share based transaction by way of an off-market takeover offer ('Offer').

Under the Offer, Renaissance shareholders will receive 1.55 new Emerald shares for every 1 Renaissance share held. The Offer was unanimously recommended by all of the Directors of Renaissance with the exception of Mr Ross Williams, who is also a Director of Emerald and therefore abstained from making a recommendation. BDO Corporate Finance were engaged by Renaissance to prepare an independent expert's report on the Offer and concluded the Offer was not fair but was reasonable.

At the time of this report, Emerald had received acceptances under the Offer representing over 90% of the Renaissance shares outstanding and had moved to compulsorily acquire the remaining shares.

Strategic Rationale for the Merger

The merged entity will create a well-funded gold development company which will be well positioned for continued project expansion, development and further opportunities.

Key features of the merged entity include:

- 100% owned Cambodian Gold Project:
 - Okvau and adjoining O'Chhung exploration licences covering approximately 400km² of project area in the core prospective Intrusive Related Gold district in the eastern plains of Cambodia
 - 1.13Moz resource estimate at the Okvau Gold Deposit
 - PFS completed for single open pit containing 829,000oz at 2.2g/t gold with the DFS underway
 - Substantial exploration and project generation potential
- Simplified single ownership structure and operational management of assets allowing for acceleration of exploration and development
- Synergies through removal of duplicated corporate and head office administrative functions
- Strong balance sheet
- Well positioned for continued project expansion and development
- Highly credentialed and experienced Board
- Enhanced financing options and broader equity market appeal from scale, improved liquidity and ability to source development financing

Definitive Feasibility Study

During the Year up to 30 June 2016 approximately 4,200 metres of drilling was completed as part of the Definitive Feasibility Study. This drilling comprised:

- Part of a 67 hole (7,200 metres) resource infill and 18 hole (1,800 metres) step out drilling program on the Okvau Deposit
- Diamond core drilling for metallurgical samples
- Hydrogeology bore hole and sterilization drilling program

Directors' Report (continued)

The resource infill and step out drilling program continued beyond the end the Year and will reduce the drill spacing on the Okvau Deposit to 20 metres by 20 metres for the top 120 metres of the resource envelope.

Water monitoring holes have been drilled at 27 sites over the Okvau project area including the resource area and proposed TSF location (Refer Figure 2). This will allow for completion of a detailed hydrogeology study and site layout planning.

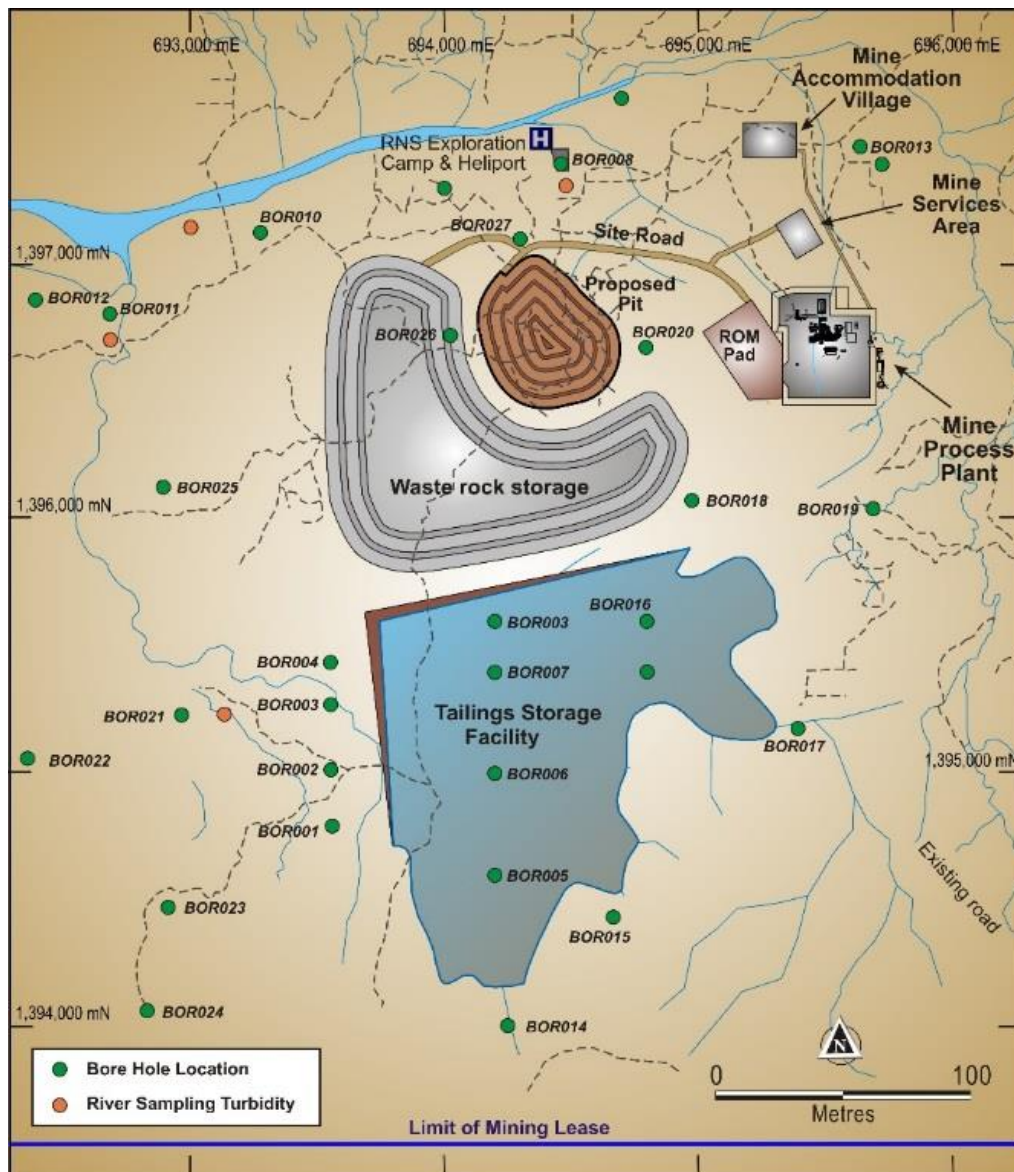


Figure 2: Hydrogeology Bore Hole Program

Other feasibility aspects including geotechnical and process design continued to be progressed during the Year and remains on schedule.

Directors' Report (continued)

Environmental & Social impact assessment (ESIA)

Earth Systems was appointed to assist it with the execution of the Environmental and Social Impact Assessment ("ESIA") studies. Earth Systems has previous experience in Cambodia and the region and will utilise the services of a local consultancy, E&A Consultants in undertaking many of the studies and the preparation of the documents required for the development approvals. The EISA is expected be completed in the fourth quarter of calendar 2016 for submission to the Ministry of Environment.

The Okvau project area is sparsely populated, with only a small village inhabited by local artisanal miners and their families. There is no agriculture use or farming in the area. Renaissance undertakes regular (6 monthly) census surveys to monitor the activity of these artisanal miners. An updated survey was undertaken in July 2016 which showed continued reduction in local population with an estimated total population of 104 people at Okvau comprising 41 adult male, 31 adult female and 32 children accommodated in 56 houses.

The Okvau Deposit is located outside the Core Zone of the Phnom Prich Wildlife Sanctuary but within the outer boundaries of that sanctuary. Accordingly, the Company recognizes the need to undertake a rigorous ESIA before any mining activities can commence. Local surface artisanal mining activity at Okvau has caused significant disturbance to the area and the development of a modern mining operation, undertaken to the highest environmental standards, will provide the opportunity to remediate some of this disturbance.

Exploration Activities

Throughout the Year, the Company continued to undertake large geochemical sampling programs, geophysical surveys and some limited exploration drilling within the Okvau and adjoining O'Chhung license area.

Regionally, numerous large remanent magnetic responses, analogous with the remanent magnetic response at the Okvau Deposit, highlight large hydrothermal sulphide zones amenable to gold mineralisation (Refer Figure 3). The areas are all associated with proximal gold-in-soil anomalism and are untested by drilling. These target areas are all within close proximity to the Okvau Deposit and offer exceptional new discovery potentials for Renaissance.

Directors' Report (continued)

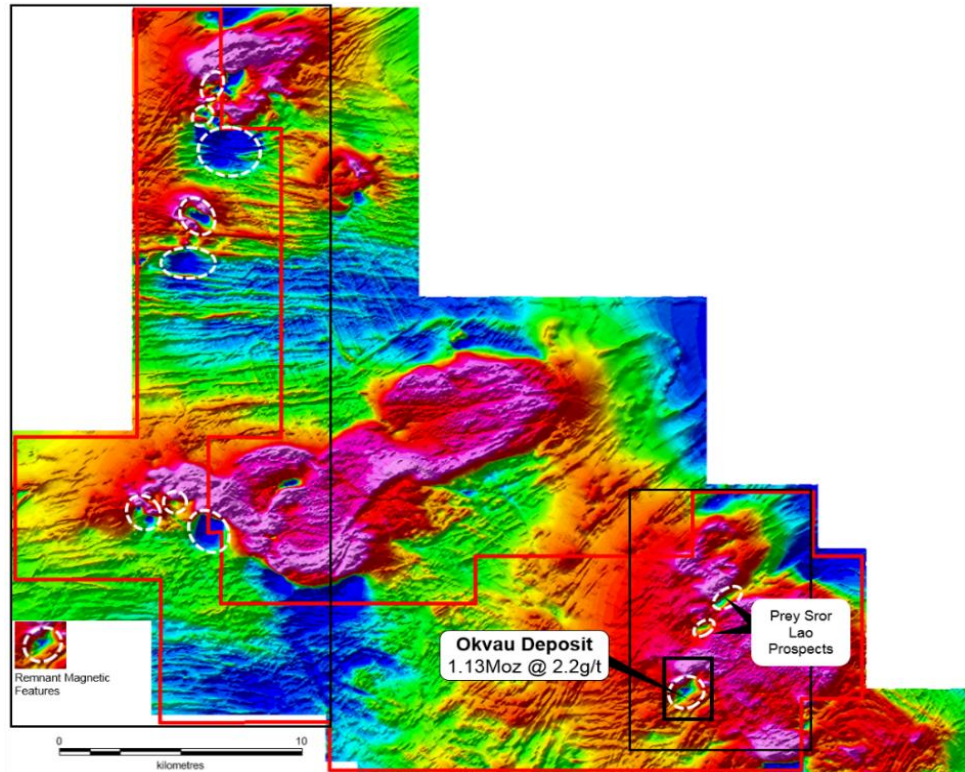


Figure 3: Okvau and O'Chhung License Area - Remanent Magnetic Features Analogous to Okvau Deposit

Community and Government Relations

The Company continues to maintain regular and co-operative stakeholder consultations and initiatives with local, provincial and central level government and community representatives with a number of projects undertaken during the Year.

With the support of the Red Cross and the Governor of Mondulhiri, Renaissance built a Referral Hospital Facility ("RHF") in the remote Keo Seima district of Mondulhiri. The facility will accommodate up to 16 patients at any such time with the population in the commune at around 1,000 people. The facility was officially handed over to the District Governor during a ceremony in April 2016.

Entrance medical post



Directors' Report (continued)

Renaissance installed a number of water wells for the local communities in the Mondulkiri province with an official ceremony held in September 2016 in the presence of the provincial governor, police commissioner, district governor and local authorities.

Water well donation ceremony
at Sre Chhuke, Keo Seima



Provincial governor testing the water well
at Sre Chhuke, Keo Seima



About Cambodia

Cambodia is a constitutional monarchy with a constitution providing for a multi-party democracy. The population of Cambodia is approximately 14 million. The Royal Government of Cambodia, formed on the basis of elections internationally recognised as free and fair, was established in 1993. Elections are held every five (5) years with the last election held in July 2013.

Cambodia has a relatively open trading regime and joined the World Trade Organisation in 2004. The government's adherence to the global market, freedom from exchange controls and unrestricted capital movement makes Cambodia one of the most business friendly countries in the region.

The Cambodian Government has implemented a strategy to create an appropriate investment environment to attract foreign companies, particularly in the mining industry. Cambodia has a modern and transparent mining code and the government is supportive of foreign investment particularly in mining and exploration to help realise the value of its potential mineral value.

Figure 4: Regional Cambodia



Directors' Report (continued)

Competent Persons Statement

The information in this report that relates to the Mineral Resources for the Okvau Gold Deposit was prepared by International Resource Solutions Pty Ltd (Brian Wolfe), who is a consultant to the Company, who is a Member of the Australian Institute of Geoscientists (AIG), and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Wolfe consents to the inclusion of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results is based on information compiled by Mr Craig Johnson, who is an employee of the Company and who is a Member of The Australasian Institute of Geoscientists. Mr Craig Johnson has sufficient experience which is relevant to the style of mineralisation and type of deposits 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 of Exploration Results, Mineral Resources and Ore Reserves'. Mr Craig Johnson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Reference is made to the Company's ASX release dated 27 July 2015 titled Okvau PFS Demonstrates Compelling Project Economics. All material assumptions underpinning the production target or the forecast financial information continue to apply and have not materially changed.

Table 1: Okvau Mineral Resource Estimate - July 2015 and July 2016

JORC Resource (0.6g/t gold cut-off)			
	Tonnage (Mt)	Grade (g/t Au)	Gold (Koz)
Indicated	13.2	2.3	962
Inferred	2.7	2.0	169
Total	15.8Mt	2.2g/t	1,131

Table 2: Okvau Mineral Resource Estimate – July 2015 and July 2016

Cut-off (Au g/t)	Indicated Resource			Inferred Resource			Total Resource		
	Tonnage (Mt)	Grade (g/t Au)	Contained Au (Koz)	Tonnage (Mt)	Grade (g/t Au)	Contained Au (Koz)	Tonnage (Mt)	Grade (g/t Au)	Contained Au (Koz)
0.50	14.1	2.2	978	2.9	1.9	173	17.0	2.1	1,151
0.60	13.2	2.3	962	2.7	2.0	169	15.8	2.2	1,131
1.00	10.2	2.7	886	1.9	2.4	151	12.1	2.7	1,036
1.50	7.3	3.3	773	1.3	3.0	126	8.6	3.2	898
2.00	5.6	3.8	678	1.0	3.5	107	6.5	3.7	785

Note: The Company entered into the MoA with Renaissance Minerals Limited on 3 February 2016. There is no Mineral Resource Estimate for the prior period.

Directors' Report (continued)

Table 3: Study Results¹

In Pit Mineral Resource	11.6Mt @ 2.2g/t gold for 829,000 ounces contained		
LOM Strip Ratio (waste:ore)	7.7:1		
Throughput	1.5Mtpa		
Life of Mine	8 years		
Processing Recovery	85%		
Average Annual Production Target	91,500 ounces		
Pre-production Capital Costs ²	US\$120M		
Gold Price	US\$1,100/oz	US\$1,250/oz	US\$1,400/oz
LOM Net Revenue (net of royalties ³ & refining)	US\$756M	US\$860M	US\$964M
Operating Cash Flow Before Capital Expenditure	US\$272M	US\$376M	US\$479M
Project Cash Flow After Capital Expenditure	US\$142M	US\$245M	US\$349M
NPV ⁴ (5%)	US\$90M	US\$174M	US\$257M
Payback	3.2 years	2.6 years	1.9 years
IRR pre-tax	21% pa	35% pa	47% pa
IRR post-tax (excluding any incentives)	19% pa	29% pa	38% pa
LOM C1 Cash Costs ⁵	US\$684/oz	US\$684/oz	US\$684/oz
LOM All-In Sustaining Costs ('AISC') ⁶	US\$731/oz	US\$735/oz	US\$738/oz

1 Economics are based on 100% Project ownership. Under the proposed terms of the Joint Venture with Emerald, the ownership interest of Renaissance is subject to change with Emerald able to earn-in for a 51% interest.

2 Capital Costs include working capital and 10% contingency.

3 Government royalty fixed at 2.5% of gross revenue

4 After royalties but before corporate tax

5 C1 Cash Costs include all mining, processing and general & administration costs

6 AISC include C1 Cash Costs plus royalties, refining costs, sustaining capital and closure costs

5.2 Appalachian Gas - Magoffin County, Kentucky

Following an evaluation of the expected future returns of the Appalachian gas business in the previous reporting period, Kentucky Energy Partners, LLC (KEP), a partnership between EMR (75%) and Slone Production, LLC (Slone Production) (25%), entered into an assignment of oil and gas leases with Slone Energy, LLC (Slone Energy), a company associated with Slone Production, to assign the various oil and gas interests located in Magoffin County, Kentucky (Leases), to Slone Energy (Agreement).

KEP has assigned the various oil and gas interests, including existing fixtures, casing and pipelines utilized on and for the Leases for a nominal consideration in return for EMR retaining a 5% overriding royalty interest in all gas production from the Leases (Royalty Interest).

The Royalty Interest will continue over any new oil and gas lease acquired by Slone Energy where that new oil and gas lease is in respect of any part of an area that was the subject of the Leases that may be relinquished, surrendered or not renewed.

Directors' Report (continued)

During the year, there was no product recovered and sold from the Leases and the royalty received for the period was nil.

5.3 Financial Results

The comprehensive profit of the Group for the financial year 30 June 2016 amounted to \$1,051,263 (2015: loss \$1,424,983).

At 30 June 2016 the Group had cash on hand of \$11,748,194, \$3,421,556 of financial investments (including Renaissance Minerals Limited of \$3,044,556) and \$2,800,000 of short term deposits (2015: Cash on hand \$17,965,799).

5.4 Corporate Governance Statement

The directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the Corporate Governance Statement released to ASX and posted on the Company's website at www.emeraldresources.com.au/corporate_governance.

6. DIVIDENDS PAID OR RECOMMENDED

No dividend was paid or declared during the financial year and the Directors do not recommend the payment of a dividend.

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 3 February 2016 the Company announced the proposed Joint Venture with Renaissance Minerals Limited to earn up to 51% of the Cambodian Gold Project, including the 1.131Moz Okvau Gold Project. The Company holds a 10% equity stake in Renaissance Minerals Ltd.

Satisfaction of all conditions and re-compliance with Chapters 1 and 2 of the ASX listing rules was achieved on 17 May 2016 allowing the Company to change its activities and the exploration program commenced.

8. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 19 July 2016 the Company and Renaissance jointly announced the proposal to merge the two companies via an off market takeover offer under which the Company will acquire all of the shares in Renaissance that it does not already own by offering 1.55 new Emerald shares for every 1 Renaissance share. The Offer was recommended by all independent directors of Renaissance.

On 25 August 2016 the bidders statement and Offers along with Renaissance Target's Statement were despatched to Renaissance Shareholders.

On 16 September 2016 the Company announced that the Offer was unconditional.

Directors' Report (continued)

On 23 September 2016 the Company announced it had acquired a relevant interest in 90.37% of the fully paid ordinary shares in Renaissance. The Company also advised that it had extended the closing date of the Offer to 5:00pm (WST) on 30 September 2016.

The Company is now proceeding to compulsorily acquire any Renaissance shares not accepted into the Company's Offer.

On 27 September 2016, as part of the Bid implementation agreement, Mr Justin Tremain has been appointed as a Director of Emerald.

9. LIKELY DEVELOPMENTS

The Company is proceeding to compulsorily acquire any Renaissance shares not accepted into the Company's Offer to create a well-funded gold development company which is well placed to develop its assets and pursue any value enhancing opportunities which may arise.

10. DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in ordinary shares, of the Company were:

Director	Shares	
	Held Directly	Held Indirectly
S Lee AO ⁽ⁱ⁾	-	114,000,000
M Hart	257,318,823	-
J Tremain	-	-
R Williams	25,000,000	-
R Stanley	222,163,613	-

As at the date of this report, the Directors did not hold any interests in options in the Company.

Note:

⁽ⁱ⁾SHL Pty Ltd is a trustee for SHL Family Trust and Phoenix Properties International Pty Ltd is a Trustee of the Wellington Place Property Trust. Mr Lee AO is not a director, shareholder or involved in the management of SHL Pty Ltd or Phoenix Properties International Pty Ltd as trustees for the SHL Family Trust and Wellington Place Property Trust. He is only a direct and indirect contingent beneficiary of these trusts.

Directors' Report (continued)

11. REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors, Executives and Key Management Personnel of the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly.

The remuneration report is set out under the following main headings:

- A. Names and positions of Directors and other Key Management Personnel
- B. Principles used to determine the nature and amount of remuneration
- C. Details of remuneration
- D. Service agreements
- E. Share-based compensation
- F. Additional information

A. Names and positions of Directors and other Key Management Personnel in office at any time during the financial year are:

Name	Position
S. Lee AO	Chairman
M. Hart	Managing Director
R. Stanley	Non-Executive Director
R. Williams	Non-Executive Director

B. Principles used to determine the nature and amount of remuneration

Remuneration philosophy

The remuneration policy of the Group has been designed to align Director and Executive 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 entity's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Key Management Personnel and Directors to run and manage the Group. The Key Management Personnel of the Group are the Executive and Non-Executive Directors.

For the purposes of this report, the term 'Executive' encompasses the Executive Directors of the Group. The Board's policy for determining the nature and amount of remuneration for Board members and Key Management Personnel of the Group is as follows:

Remuneration structure

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

Fixed Remuneration

The remuneration policy, setting the terms and conditions for the Executive Directors and other Key Management Personnel, was developed by the Board. Non-Executive Directors are remunerated on a fixed fee and consultancy basis based on services provided by each person. The Board reviews Key Management Personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Directors' Report (continued)

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. 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 (currently \$200,000). Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group and are able to participate in employee option plans that may exist from time to time.

Variable remuneration – short term incentive (STI)

There is currently no variable short term incentives provided to management in the form of a STI or bonus program. The Board is of the opinion that the variable long term remuneration provided to Directors and Executives is sufficient to align the interest of management with shareholders.

Variable remuneration – long term incentive (LTI)

Currently, this is facilitated through the issue of options to Key Management Personnel to encourage the alignment of personal and shareholder interests. The Board as a whole agrees upon an appropriate level of remuneration incentive for each Director, relative to their involvement in the management of the consolidated entity.

The main performance criteria of the LTI remuneration is increasing shareholder value through aligning the Group with high quality exploration assets, which in turn increase share price. Options issued to Directors may be subject to market based price hurdles and vesting conditions, and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Group believes this policy will be effective in increasing shareholder wealth.

On the resignation of Directors the options issued as remuneration lapse within 3 months unless exercised. For details of Directors and other Key Management Personnel interests in options at year end, see below.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to attract the highest calibre of Key Management Personnel and reward them for performance that results in long-term growth in shareholder wealth.

Key Management Personnel are also entitled to participate in the employee share and option arrangements. Consultants, Executive Directors and other Key Management Personnel do not receive any retirement benefits other than superannuation.

C. Details of Remuneration

Details of the remuneration of the Directors and other Key Management Personnel of Emerald Resources NL are set out in the following table. All individuals were in office for the full year, unless otherwise stated.

Directors' Report (continued)

Key Management Personnel of Emerald Resources NL (Company and Group)

	Short term benefits		Post employment benefits	Share-based payments (LTI)	Total	Performance based remuneration and % consisting of options
	Salary and Fees	Non Monetary	Super-annuation	Options		
2016	\$	\$	\$	\$	\$	%
Directors – Non Executive						
Simon Lee (Chairman)	48,000	-	-	-	48,000	0%
Morgan Hart	48,000	-	4,560	-	52,560	0%
Ross Stanley	36,000	-	-	-	36,000	0%
Ross Williams	36,000	-	-	-	36,000	0%
Total	168,000	-	4,560	-	172,560	0%
2015						
Directors – Non Executive						
Simon Lee (Chairman) ⁽ⁱ⁾	41,549	-	-	-	41,549	0%
Morgan Hart ⁽ⁱⁱ⁾	41,549	-	3,843	-	45,392	0%
Ross Stanley ⁽ⁱⁱⁱ⁾	31,161	-	-	-	31,161	0%
Ross Williams	38,000	-	-	-	38,000	0%
Tim Kestell ^(iv)	8,000	-	740	-	8,740	0%
Peter Pynes ^(v)	8,000	-	740	-	8,740	0%
Total	168,259	-	5,323	-	173,582	0%

(i) Appointed 20 August 2014

(ii) Appointed 31 July 2014

(iii) Appointed 20 August 2014

(iv) Resigned 20 August 2014

(v) Resigned 20 August 2014

B. Service Agreements

S Lee AO, Non-Executive Chairman (appointed 20 August 2014)

- Monthly contract, agreed and reviewed annually
- Director fees of \$48,000 p.a. (2014: nil)
- There are no termination benefits or provisions in the contract
- No explicitly stated notice period

M Hart, Managing Director (appointed Non-Executive Director from 30 July 2014 to 20 August 2014)

- Director fees of \$48,000 p.a. (2015:\$48,000)
- No explicitly stated notice period
- Termination by the Company or Mr Hart may occur by giving the other party three month's written notice
- Termination benefit of 6 months' salary if due to termination of change of control event

Directors' Report (continued)

Ross Stanley, Non-Executive Director (appointed 20 August 2014)

- Monthly contract, agreed and reviewed annually
- Director fees of \$36,000 p.a. (2015: \$36,000)
- There are no termination benefits or provisions in the contract
- No explicitly stated notice

R Williams, Non-Executive Director, served as Chairman from 20 May 2014 to 20 August 2014)

- Monthly contract, agreed and reviewed annually
- Director fees of \$36,000 p.a. (2015: \$36,000)
- There are no termination benefits or provisions in the contract
- No explicitly stated notice period

P Pynes, Non-Executive Director and T Kestell, Non-Executive Director resigned 20 August 2014.

C. Share-based Compensation

Details of the share-based remuneration of the Directors and other Key Management Personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group are set out in section 10 above. The options issued to Directors in prior periods were part of their remuneration and as incentive options to increase goal convergence between Directors and shareholders. The options are granted for no consideration, and are subject to vesting conditions which relate to the continuation of employment.

Where the Director ceases employment prior to the vesting of their options, the options are forfeited unless the termination was as a result of redundancy, death or in other circumstances where the Board believes are fair and reasonable. Vested options will lapse 3 months after termination of an Executive's employment unless exercised. Options granted carry no dividend or voting rights.

The Group currently has no provisions to prohibit Executives from entering into arrangements to protect the value of unvested options. This includes entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Options Granted and vested during the year

No options were issued, exercised or expired during the year (2015: 20,000,000 unlisted \$0.025 options issued).

D. Additional Information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year.

The Group issues options to Directors and Executives in order to provide incentives to deliver shareholder returns. In addition to share price performance, Group performance is also reflected in the movement of the Group's earnings or loss per share over time.

Directors' Report (continued)

Voting of Shareholders at Last Year's Annual General Meeting

The adoption of the remuneration report for the year ended 30 June 2015 was put to shareholders at the Company's annual general meeting held 26 November 2015. The resolution was passed by a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Related party payments

	2016	2015
	\$	\$
Serviced office charges	76,686	67,830

Includes payments made or payable to Castilo Pty Ltd (a company associated with Ross Stanley) for serviced offices at the current registered office totalling \$76,686 (2015:\$67,830).

Aggregate amounts payables to Directors and their related parties as at 30 June 2016 are as below:

	2016	2015
	\$	\$
Directors Fees accrued	101,549	44,549
Corporate Reimbursement	3,494	3,494
	105,043	48,043

G. Directors' Interests in the Shares and Options of the Company

Share holdings of Key Management Personnel

The movement during the year in the number of ordinary shares in Emerald Resources NL held, directly, indirectly or beneficially, by each Director and other KMP, including their personally-related entities is as follows:

2016

Directors	Held at beginning of year	Movement during year*	Options Exercised	Interest at date of retirement	Held at 30 June 2016
Directors					
S. Lee AO	64,000,000	50,000,000	-	-	114,000,000
M Hart	257,318,823	-	-	-	257,318,823
R Stanley	95,839,781	126,323,832	-	-	222,163,613
R. Williams	25,000,000	-	-	-	25,000,000
Total	442,158,604	176,323,832	-	-	618,482,436

2015

Directors	Held at beginning of year	Movement during year*	Options Exercised	Interest at date of retirement	Held at 30 June 2015
Directors					
S. Lee AO	-	64,000,000	-	-	64,000,000
M Hart	-	257,318,823	-	-	257,318,823
R Stanley	-	95,839,781	-	-	95,839,781
R. Williams	4,702,695	20,297,305	-	-	25,000,000
P. Pynes	231,798,347	-	-	(231,798,347)	-
T. Kestell	231,798,347	-	-	(231,798,347)	-
Total	468,299,389	437,455,909	-	(463,596,694)	442,158,604

* Movement represents shares purchased via placement, rights issue, or on market during the financial year, as well as shares held at the date of appointment.



ABN: 72 009 795 046

Directors' Report (continued)

Option holdings of Key Management Personnel

The movement during the year in the number of options over ordinary shares in Emerald Resources NL held, directly, indirectly or beneficially, by each Director and other KMP, including their personally-related entities, is as follows:

There were no options held by Key Management Personnel during the current or comparative year.

(a) Loans to or from Key Management Personnel

As at 30 June 2016 there were no loans to or from any Directors or other KMP.

*****End of Remuneration Report*****

12. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

13. SHARE OPTIONS

SHARES UNDER OPTION

There were no options issued in the current year.

The Company issued 20 million unlisted options \$0.025 exercisable on or before 21 January 2020 to employees and consultants as part of the incentive component of their remuneration packages.

The options have been issued in accordance with the Company's Employee Option Plan as approved by shareholders on 27 November 2014. No director or director related entity has been the recipient of these options.

Directors' Report (continued)

14. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Group has paid a premium of \$23,400 (2015: \$20,996) to insure the Directors and Secretary of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

15. NON-AUDIT SERVICES

The non-audit services provided by the Group's auditor, HLB Mann Judd in the current and prior year are listed below.

During the year the following fees were paid or payable for services provided by the auditors.

	Consolidated	
	2016	2015
	\$	\$
<i>Paid or payable to HLB Mann Judd:</i>		
Audit and review fees	31,500	33,500
Non-audit services – Independent Accountants Report	5,000	-
Total	36,500	33,500

16. AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporation Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 24 and forms part of this directors' report for the year ended 30 June 2016.

17. AUDITOR

HLB Mann Judd continues in office in accordance with Section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.



Simon Lee AO
Chairman

Perth
30 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Emerald Resources NL for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
30 September 2016

N G Neill
Partner

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	4	-	7,042
Cost of sales		-	(34,343)
Gross loss		-	(27,301)
Profit/(loss) on sale of assets		83,546	(819,699)
Fair value gains on financial assets		(17,235)	-
Corporate, legal and administration expenses		(633,358)	(1,187,216)
Consulting and contracting expenses	6	(174,838)	(185,053)
Loss from operating activities		(741,885)	(2,219,269)
Finance income		471,949	601,197
Net finance income	5	471,949	601,197
Loss before income tax		(269,936)	(1,618,072)
Income tax benefit	8	-	-
Loss from continuing operations		(269,936)	(1,618,072)
Loss for the year	6	(269,936)	(1,618,072)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(23)	193,089
Net changes in fair value of available for sale securities		1,321,222	-
Other comprehensive income for the year		1,321,199	193,089
Total comprehensive income/(loss) for the year		1,051,263	(1,424,983)
Profit/(Loss) for the year is attributable to:			
Owners of the parent		(269,936)	(1,342,774)
Non-controlling interest		-	(275,298)
		(269,936)	(1,618,072)
Total comprehensive income/(loss) for the year is attributable to:			
Owners of the parent		1,051,263	(1,124,972)
Non-controlling interest		-	(300,011)
		1,051,263	(1,424,983)
Basic loss per share attributable to owners of the parent (cents)	7	(0.002)	(0.106)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	10	11,728,281	17,965,799
Trade and other receivables	11	128,262	134,021
Financial assets at fair value through Profit and Loss	12	3,421,556	-
Other financial assets	12	2,820,000	-
Total current assets		<u>18,098,099</u>	<u>18,099,820</u>
NON-CURRENT ASSETS			
Property, plant and equipment	13	11,690	9,608
Other financial assets	12	625,595	-
Exploration and evaluation expenditure	14	450,723	-
Total non-current assets		<u>1,088,008</u>	<u>9,608</u>
TOTAL ASSETS		<u>19,186,107</u>	<u>18,109,428</u>
CURRENT LIABILITIES			
Trade and other payables	16	433,271	128,484
Total current liabilities		<u>433,271</u>	<u>128,484</u>
TOTAL LIABILITIES		<u>433,271</u>	<u>128,484</u>
NET ASSETS		<u>18,752,836</u>	<u>17,980,944</u>
EQUITY			
Issued capital	17	50,778,054	51,057,425
Reserves		3,249,055	1,924,366
Accumulated losses		(35,174,879)	(34,904,943)
Total equity attributable to owners of the parent		<u>18,852,230</u>	<u>18,076,848</u>
Non-controlling interest		(99,394)	(95,904)
TOTAL EQUITY		<u>18,752,836</u>	<u>17,980,944</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Issued Capital	Options Reserve	Available for sale Securities Reserve	Foreign Exchange Translation Reserve	Non-controlling Shareholders Premium Reserve	Accumulated Losses	Equity attributable to owners of the parent	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total equity at 30 June 2014	45,412,529	1,327,132	-	(4,568)	(176,972)	(33,128,873)	13,429,248	(52,217)	13,377,031
Loss for the year	-	-	-	-	-	(1,342,774)	(1,342,774)	(275,298)	(1,618,072)
<i>Other comprehensive income/(loss)</i>									
Exchange differences on translation of foreign operations	-	-	-	217,802	-	-	217,802	(24,713)	193,089
Total other comprehensive income/(loss)	-	-	-	217,802	-	-	217,802	(24,713)	193,089
Total comprehensive income/(loss) for the year	-	-	-	217,802	-	(1,342,774)	(1,124,972)	(300,011)	(1,424,983)
<i>Transactions with owners, recorded directly in equity:</i>									
Issue of ordinary shares, net of transaction costs	5,644,896	-	-	-	-	-	5,644,896	-	5,644,896
Share based payments:	-	384,000	-	-	-	-	384,000	-	384,000
Non-controlling shareholders premium reserve	-	-	-	-	(256,324)	-	(256,324)	256,324	-
Transfer from premium reserve to accumulated losses	-	-	-	-	433,296	(433,296)	-	-	-
Total equity at 30 June 2015	51,057,425	1,711,132	-	213,234	-	(34,904,943)	18,076,848	(95,904)	17,980,944
Loss for the year	-	-	-	-	-	(269,936)	(269,936)	-	(269,936)
Net change in fair value of available for sale securities	-	-	1,321,222	-	-	-	1,321,222	-	1,321,222
Exchange differences on translation of foreign operations	-	-	-	3,467	-	-	3,467	(3,490)	(23)
Total other comprehensive income	-	-	1,321,222	3,467	-	-	1,324,689	(3,490)	1,321,199
Total comprehensive income for the year	-	-	1,321,222	3,467	-	(269,936)	1,054,753	(3,490)	1,051,263
<i>Transactions with owners, recorded directly in equity:</i>									
Issue of ordinary shares	1,000	-	-	-	-	-	1,000	-	1,000
Transaction costs of issuing capital	(280,371)	-	-	-	-	-	(280,371)	-	(280,371)
Total equity at 30 June 2016	50,778,054	1,711,132	1,321,222	216,701	-	(35,174,879)	18,852,230	(99,394)	18,752,836

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	7,042
Interest received		520,856	543,328
Payments to suppliers and employees		(543,383)	(814,455)
Net cash used in operating activities	20	<u>(22,527)</u>	<u>(264,085)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditure		(450,723)	-
Loan to Renaissance Minerals		(625,595)	-
Proceeds on sale of subsidiary, net of cash disposed		-	(11,159)
Purchase of financial assets for sale		(3,262,554)	-
Placement of Cash on term deposit over 3 months		(2,820,000)	-
Purchase of Plant and Equipment		(5,279)	-
Proceeds on sale of financial assets		1,228,531	-
Net cash used in investing activities		<u>(5,935,620)</u>	<u>(11,159)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,000	5,716,350
Capital raising costs		(280,371)	(71,454)
Net cash (used in)/provided by financing activities		<u>(279,371)</u>	<u>5,644,896</u>
Net increase in cash and cash equivalents		(6,237,518)	5,369,652
Cash and cash equivalents at the beginning of the year		17,965,799	12,573,838
Effect of exchange rates on cash holding in foreign currencies		-	22,309
Cash and cash equivalents at the end of the year	10	<u>11,728,281</u>	<u>17,965,799</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

1. Reporting entity

Emerald Resources NL ("the Company") is a company domiciled in Australia. The Company was incorporated on 15 September 1969 and is a company limited by shares incorporated in Australia.

The consolidated financial statements of the Company for the financial year ended 30 June 2016 comprise the Company and its controlled entities (together referred to as "the Consolidated Entity" or "the Group") and the Group's interest in jointly controlled operations and jointly controlled entities.

The consolidated financial statements were authorised for issue by the Directors on 30 September 2016.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. For the basis of preparation of the consolidated financial report the Company is a for-profit entity.

The consolidated financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for disposal groups held for sale, which are measured at fair value.

c) Functional currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the major entities comprising the consolidated entity.

d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

2. Basis of preparation (continued)

d) Use of estimates and judgements (continued)

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

- e)** The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are discussed below.

f) Key sources of estimation uncertainty and judgements

Oil and Gas assets

Determining the recoverability of oil and gas assets capitalised in accordance with the Group's accounting policy requires estimates and assumptions as to whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This assessment requires estimates and assumptions about the reserves, the timing of expected cashflows and future capital requirements. If after having capitalised the expenditure, a judgement is made that recovery of expenditure is unlikely, an impairment loss is recognised in profit or loss.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments as at the date at which they are granted. The fair value is determined by using a Black and Scholes model using the assumptions detailed in Note 25.

The Group measures the cost of cash-settled share-based payments at the fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 25.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

2. Basis of preparation (continued)

g) Adoption of new and revised standards

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group.

a) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by any member of the Group. Control exists when a member of the Group has the power, directly or indirectly, to govern the financial and operating policies of any entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Non-controlling interests

Non-controlling interests are allocated their share of net profit/(loss) after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

a) Principles of consolidation (continued)

Transactions eliminated on consolidation

Intragroup balances (including balances related to jointly controlled operations and assets) and any unrealised gains or losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements

b) Revenue

Revenue is recognised and measured at the fair value of the consideration receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably.

The Group uses the sales method to account for sales of natural gas revenues. Under this method, revenues are recognised based on volumes of oil and gas sold to purchasers.

The following specific recognition criteria must also be met before revenue is recognised:

Revenue for product sales is brought to account when the product is passed from the Group's physical control under an enforceable contract, when selling prices are known or can be reasonably estimated and the products are in a form that requires no further treatment by the Group.

c) Finance income and expenses

Finance income comprises interest income and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest rate, applicable.

Finance expenses comprise interest expenses on borrowings, foreign currency losses and impairment losses recognised on financial assets (other than trade receivables).

d) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised where the borrowing cost is 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, using the effective interest rate as applicable.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

e) Leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

g) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST or overseas equivalent, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

g) Goods and services tax (GST) (continued)

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

h) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to Australian dollars at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at the foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at the foreign exchange rates as at the balance date. The income and expenses of foreign operations are translated to Australian dollars at the foreign exchange rates at the dates of the transactions.

Foreign currency differences arising upon translation of foreign operations are recognised in other comprehensive income and presented in the foreign exchange translation reserve (FETR) within equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FETR related to that foreign operation is transferred to the profit or loss as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the consolidated entity losing control over a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount in the FETR is reattributed to non-controlling interests and is not recognised in the profit or loss. For all other partial disposals, the relevant proportion of the cumulative amount in the FETR is transferred to the profit or loss.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

h) Foreign currency (continued)

When a settlement of a monetary item of receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, unrealised foreign exchange gains and losses on these monetary items are recognised in other comprehensive income and presented in the FETR in equity.

i) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance date.

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

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

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

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

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

i) Income tax (continued)

differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

j) Business combinations

Tax consolidation legislation

The company and its wholly owned Australian resident subsidiary have not formed a tax-consolidated group as at the balance date.

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

j) Business combinations (continuing)

acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

k) Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

k) Impairment of assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

l) Cash and Cash equivalents

Cash comprises of cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

m) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at fair value and subsequently at amortised cost less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms or receivables. The amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

m) Trade and other receivables (continued)

the effect of discounting is immaterial. The amount of the impairment is recognised in the statement of comprehensive income.

n) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

o) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

o) Plant and equipment (continued)

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

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

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

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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

p) Exploration and evaluation expenditure

Exploration and evaluation expenditure in relation to each area of interest is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward if rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing. Accumulated costs in relation to an abandoned area are

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

p) Exploration and evaluation expenditure (continued)

written off in full against the statement of comprehensive income in the period in which the decision to abandon the area is made.

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

Once production statements are received from a particular well, the carried costs are transferred to oil and gas assets.

q) Oil & gas assets

Oil and gas assets are recognised at cost less accumulated depletion and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs together with any forecast capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the field on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

Although an area of interest has entered the development and production phase, exploration activities within the same area of interest may continue. Such costs, although of an exploration nature, are classified as expenditure on development phase properties and are amortised along with carried forward costs and current financial year development expenditure. Areas of interest are recognised at the cash generating unit level, being the smallest grouping of assets generating independent cash flows which usually is represented by an individual oil or gas well.

r) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

t) Employee Leave Benefits

Wages, salaries, annual leave and sick leave

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

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

u) Share-based payments

The Group provides benefits to employees (including Directors and KMP) in the form of share-based compensation, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There is currently an Employee Share Option Plan (ESOP) in place to provide these benefits to Directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black & Scholes method.

The Black & Scholes option pricing model takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimates of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

u) Share-based payments (continued)

recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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

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

v) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

w) Earnings per share

Basic earnings/loss per share

Basic earnings/loss per share is calculated by dividing the profit/loss attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/loss per share

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

3. Summary of significant accounting policies (continued)

x) Parent entity financial information

The financial information for the parent entity, Emerald Resources NL, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Emerald Resources NL. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

4. Revenue

	2016	2015
	\$	\$
Sale of gas	-	7,042
Total Revenue	-	7,042

5. Net finance income

	2016	2015
	\$	\$
Interest income	471,949	601,197
Finance income	471,949	601,197
Net finance income	471,949	601,197

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

6. Profit/(loss) for the year

	2016 \$	2015 \$
Profit/(loss) before income tax has been determined after:		
a) Employee benefits expense		
Wages, salaries and fees	168,000	178,843
Defined contribution superannuation expense	6,838	6,210
Options granted	-	384,000
Total employee benefits expense	174,838	569,053
b) Other expenses		
Depreciation and amortisation	3,197	170,654
Bank charges	1,698	2,275
	4,895	172,929

7. Earnings/(loss) per share

	2016 cents	2015 cents
Basic loss per share attributable to owners of the parent (cents)	(0.002)	(0.106)
	\$	\$
Earnings used in the calculation of total base earnings/(loss) per share:		
Profit/(loss) attributable to owners of the parent	(269,936)	(1,342,774)
loss attributable to discontinued operations	-	-
Profit/(loss) attributable to owners of the parent	(269,936)	(1,342,774)

	No.	No.
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	1,306,598,771	1,261,489,769
The 20,000,000 (2015:20,000,000) options outstanding at 30 June 2016 are potential ordinary shares but are antidilutive for the periods presented.		

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

8. Income tax

	2016 \$	2015 \$
(a) Income tax benefit		
The major components of income tax benefit are:		
Statement of Comprehensive Income		
Current income tax expense	-	-
Deferred income tax expense	-	-
Income tax expense/(benefit) reported in the statement of comprehensive income	-	-

(b) Numerical reconciliation between aggregate tax benefit recognised in the statement of comprehensive income and tax benefit calculated per the statutory income tax rate

	2016 \$	2015 \$
Loss before income tax	(269,936)	(1,618,073)
At statutory income tax rate of 30% (2015: 30%)	(80,981)	(485,422)
Non-deductible expenses	68,343	482,375
Current tax losses not recognised as a DTA	93,592	112,303
Movement in temporary differences	(47,492)	-
Recognition of deferred tax liability on revaluation of available for sale assets	396,367	-
Recognition of deferred tax asset to offset deferred tax liability	(396,367)	-
Non-assessable items	-	-
Recognition of previously unrecognised tax losses	-	-
Utilisation of previously unrecognised capital losses	-	(30,647)
Deductible equity	(33,462)	(78,609)
Income tax benefit	-	-

(c) Unrecognised Deferred Tax Assets and Liabilities

Deferred tax assets have not been recognised in respect of the following items:

	2016 \$	2015 \$
Timing Differences	81,535	44,024
Australian tax losses	1,474,370	1,777,145
Australian capital losses	11,826,530	11,851,595
United States of America tax losses	-	2,117,079
United States of America capital losses	-	7,174,022
Gross deferred tax assets	13,382,435	22,963,865

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

9. Key Management Personnel Disclosures

(a) Key Management Personnel remuneration

	Short term benefits	Post employment benefits	Share-based payments (LTI)	Total	% Performance Related
	Salary and Fees	Superannuation	Options		
	\$	\$	\$	\$	%
2016 Consolidated	168,000	4,560	-	172,560	-
2015 Consolidated	168,259	5,323	-	173,582	-

(b) Other Transactions with Key Management Personnel

Other related parties	2016 \$	2015 \$
1) Serviced office charges	-	6,455
2) Serviced office charges	76,686	61,675

1) Payments made or payable to Blue Capital Ltd (a company associated with Peter Pynes and Tim Kestell) for serviced offices totalling \$nil (2015: \$6,455)(excl GST).

2) Payments made or payable to Castilo Pty Ltd (a company associated with Ross Stanley) for serviced offices totalling \$76,686 (2015:61,375)(excl GST).

All related party services were provided on normal commercial terms and conditions.

Aggregate amounts payables to Directors and their related parties as at 30 June 2016 are as below:

	2016 \$	2015 \$
Directors Fees accrued	101,549	44,549
Corporate Reimbursement	3,494	3,494
	<u>105,043</u>	<u>48,043</u>

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

10. Cash and Cash equivalents

	2016	2015
	\$	\$
Cash at bank and on hand	11,728,281	17,965,799
Cash at bank earns interest at floating rates based on daily bank deposit rates.		

11. Trade and other receivables

	2016	2015
	\$	\$
Current		
Deposits and prepayments	25,079	16,443
Other receivables	103,183	117,578
	<u>128,262</u>	<u>134,021</u>

Other receivables do not bear interest and their carrying amount is equivalent to their fair value. There are no trade and other receivables considered to be impaired at balance date. There are no past due but not impaired trade and other receivables.

12. Financial Assets

Current

	2016	2015
	\$	\$
Financial assets at fair value through profit and loss (Level 1) ⁽ⁱ⁾	377,000	-
Financial assets available for sale (Level 1) ⁽ⁱ⁾	3,044,556	
Term Deposits over 3 months but not more than 12 months	2,820,000	-

(i) The equity investments are all classed as held for trading or available for sale. The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy, used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

	2016	2015
	\$	\$
Non Current		
Loan receivable ⁽ⁱⁱ⁾	625,595	-

(ii) The loan is to Renaissance Minerals Ltd and no interest is payable

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

13. Property, plant and equipment

	Plant and Equipment \$	Total \$
Year ended 30 June 2016		
At 30 June 2014 net of depreciation and impairment	88,142	88,142
Additions	11,159	11,159
Depreciation	(72,448)	(72,448)
Effect of foreign exchange	18,201	18,201
Loss on sale of assets	(35,446)	(35,446)
At 30 June 2015 net of depreciation and impairment	9,608	9,608
Additions	5,279	5,279
Depreciation	(3,197)	(3,197)
At 30 June 2016 net of depreciation and impairment	11,690	11,690
At 30 June 2016		
Cost	93,421	93,421
Accumulated depreciation	(81,731)	(81,731)
Net carrying amount	11,690	11,690
At 30 June 2015		
Cost	88,142	88,142
Accumulated depreciation	(78,534)	(78,534)
Net carrying amount	9,608	9,608

14. Exploration and evaluation expenditure

	2016 \$	2015 \$
Exploration and evaluation costs carried forward in respect of exploration areas of interest in the USA	-	-
<i>Reconciled as follows:</i>		
Balance at the beginning of the year	-	297,688
Capitalised during the year	-	-
Effect of foreign exchange	-	60,413
Loss on sale of assets	-	(358,101)
Balance at the end of the year	-	-

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

14. Exploration and evaluation expenditure (continued)

	2016 \$	2015 \$
Exploration and evaluation costs of Okvau Gold Project carried forward in respect of exploration areas of interest in Cambodia	450,723	-
<i>Reconciled as follows:</i>		
Balance at the beginning of the year	-	-
Capitalised during the year	450,723	-
Balance at the end of the year	450,723	-

15. Oil and gas assets

	2016 \$	2015 \$
Costs carried forward in respect of: Oil and gas assets, at cost	-	-
Reconciliation:		
<i>Reconciled as follows:</i>		
Carrying amount at beginning of the year	-	434,362
Amortisation for the year	-	(98,206)
Effect of foreign exchange	-	89,706
Loss on sale of assets	-	(425,862)
Carrying amount at end of the year	-	-

The Company entered into an assignment of oil and gas leases with Slone Energy, LLC (Slone Energy), a company associated with Slone Production LLC, for the various oil and gas interests located in Magoffin County, Kentucky (Leases), to Slone Energy. This includes existing fixtures, casing and pipelines utilized on and for the Leases for a nominal consideration in return for EMR retaining a 5% overriding royalty interest in all gas production from the leases

16. Trade and other payables

	2016 \$	2015 \$
Trade creditors	259,134	27,869
Accruals	174,137	100,615
	433,271	128,484

Trade payables are non-interest bearing, unsecured and are usually paid within 30 days of recognition.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

17. Issued share capital

	Number of Shares	\$
(a) Issued and Paid Up Capital		
Fully paid ordinary shares	<u>1,306,627,448</u>	<u>50,778,054</u>
(b) Movements in fully paid shares on issue		
Opening balance as at 1 July 2014	849,286,174	45,412,529
Issued Capital August 2014 (Net of share issue costs)	457,307,940	5,644,896
Total fully paid shares on issue at 30 June 2015	1,306,594,114	51,057,425
Issued Capital March 2016 (Net of share issue costs)	33,334	(279,371)
Total fully paid shares on issue at 30 June 2016	<u>1,306,627,448</u>	<u>50,778,054</u>

Consolidated Entity

The issued capital of the Group comprises the issued capital of Emerald Gas Pty Ltd, a company deemed to be the acquirer of Emerald Resources NL under a reverse acquisition transaction. The monetary share capital balance represents the equity in Emerald Gas Pty Ltd at the time of the acquisition plus the fair value of the equity held in Emerald Resources NL and subsequent transactions with equity holders of Emerald Resources NL in their capacity as equity holders.

(c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared, and the proceeds on winding up of the parent entity in proportion to the number of shares held.

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

(d) Share Options

Information relating to options issued, exercised and expired during the financial year and options outstanding at the end of the financial year, is set out below:

	2016 No.	2015 No.
Balance at beginning of the year	20,000,000	-
Issued during the year	-	20,000,000
Expired during the year	-	-
Balance at the end of the year	<u>20,000,000</u>	<u>20,000,000</u>

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

17. Issued share capital (continued)

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Group's development there are no formal targets set for return on capital. Capital consists of issued capital as disclosed in the statement of financial position. There were no changes to the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

18. Reserves

Nature and purpose of reserves

- 1) Options reserve - the options reserve is used to record the value of options issued for the services provided by employees and consultants.
- 2) Foreign exchange translation reserve - the foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.
- 3) Available for sale reserve - the available for sale reserve is used to record the value of shares held in Renaissance Minerals Limited which EMR is currently in the process of a takeover bid involving the acquisition of the remaining shares in RNS.
- 4) Non-controlling shareholders premium reserve - arises as a result of the adjustment made to the interest of non-controlling shareholders in the equity of Kentucky Energy Partners LLC.

Refer to the statement of changes in equity for movements in reserves for the year.

19. Segment reporting

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the location of activity. Discrete financial information about each of these locations is reported to the Board of Directors on at least a monthly basis.

Reportable segments requiring disclosure are operating segments that meet any of the following thresholds:

- Segment loss greater than 10% of combined loss of loss making operating segments; and
- Segment assets greater than 10% of combined assets of all operating segments.

In accordance with AASB 8 *Segment Reporting*, the reportable segments are based on aggregated operating segments determined by the similarity of the locations, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

19. Segment reporting (Continued)

Once reportable segments have been identified, all remaining segments that do not satisfy the thresholds are to be aggregated together to form an "all other segments" reporting segment. In accordance with AASB 8 corporate and administration activities are included in the 'all other segments' reporting segment.

The Group operates in one business segment, being the exploration of oil and gas, and two geographical segments, being USA and Cambodia.

Description of Operating Segments

Appalachian (USA) continuing operation

Emerald's subsidiaries Emerald Gas USA Holdings LLC, Emerald Gas Developments LLC, Emerald Kentucky Gas Ventures LLC and Kentucky Energy Partners LLC undertake onshore oil and gas exploration activities in the USA. The combined operations of these entities represent a single reportable segment.

KEP Projects – 75% equity interest in Kentucky Energy Partners LLC, which is progressing gas projects located in Kentucky, USA. Carrying value of exploration assets at 30 June 2016: Nil (2015: Nil).

KEP has assigned the various oil and gas interests, including existing fixtures, casing and pipelines utilized on and for the leases for a nominal consideration in return for EMR retaining a 5% overriding royalty interest in all gas production from the leases (Royalty Interest).

The Royalty Interest will continue over any new oil and gas lease acquired by Slone Energy where that new oil and gas lease is in respect of any part of an area that was the subject of the Leases that may be relinquished, surrendered or not renewed.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 3 to the financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2016

19. Segment reporting (Continued)

2016 Geographical segment	USA Appalachian \$	Australia All other segments \$	Consolidated \$
Segment revenues	-	-	-
Segment result	-	(269,936)	(269,936)
Segment assets	2,402	19,183,618	19,186,020
Segment liabilities	(3,161)	(430,111)	(433,272)
Included in segment result:			
Interest income	-	471,949	471,949
Interest expense	-	-	-
Depreciation and amortisation	-	(3,197)	(3,197)
Acquisition of non-current assets	-	5,279	5,279

2015 Geographical segment	USA Appalachian \$	Australia All other segments \$	Consolidated \$
Segment revenues	7,042	-	7,042
Segment result	(1,132,844)	(485,228)	(1,618,072)
Segment assets	2,402	18,107,026	18,109,428
Segment liabilities	(3,049)	(125,435)	(128,484)
Included in segment result:			
Interest income	-	601,197	601,197
Interest expense	-	-	-
Depreciation and amortisation	(169,103)	(1,551)	(170,654)
Acquisition of non-current assets	-	11,159	11,159

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

20 Statement of Cash Flows

Reconciliation of cash flows from operations with loss after income tax:

	2016	2015
	\$	\$
Cash flows from operating activities		
Loss for the year	(269,936)	(1,618,072)
Adjustments for non-cash items and reclassifications:		
Depreciation & amortisation depletion of assets	3,197	170,654
Loss on sale assets	-	819,699
Profit on sale of shares	(83,546)	-
Revalue financial assets	17,235	-
Options issued for consideration	-	384,000
	(333,050)	(243,719)
<i>Changes in operating assets and liabilities</i>		
Change in trade creditors and accruals	304,764	41,720
Change in trade and other receivables	5,759	(62,086)
Cash flows used in operations	(22,527)	(264,085)

21. Interest in controlled entities

The Company has the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Class of Shares	Percentage held	
			2016	2015
Emerald Gas USA LLC	USA	Ordinary	100%	100%
Emerald Gas Pty Ltd	Australia	Ordinary	100%	100%
Emerald Gas USA Holdings Inc	USA	Ordinary	100%	100%
Emerald Gas Development USA LLC	USA	Ordinary	100%	100%
Emerald Gas Kentucky Ventures LLC	USA	Ordinary	100%	100%
Kentucky Energy Partners LLC	USA	Ordinary	75%	75%

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

22. Related party transactions

(a) Parent Entity

The parent entity within the Group is Emerald Resources NL.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 21.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in the Remuneration Report and in Note 9.

Transactions with related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

23. Parent entity disclosures

Financial Position

Assets

	2016	2015
	\$	\$
Current assets	18,095,609	18,097,417
Non-current assets	1,088,008	9,608
Total assets	19,183,617	18,107,025

Liabilities

Current liabilities	430,110	125,433
Total liabilities	430,110	125,433

Equity

Issued capital	131,140,712	131,420,083
Accumulated losses	(115,419,559)	(114,765,623)
Options reserve	3,032,354	1,327,132
Total Equity	18,753,507	17,981,592

Financial Performance

	2016	2015
	\$	\$
Profit/(Loss) for the year	(269,936)	(1,241,537)
Other comprehensive income	1,321,222	-
Total comprehensive income/(loss)	1,051,286	(1,241,537)

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

24. Auditor's remuneration

	2016 \$	2015 \$
Amounts received or due and receivable by HLB Mann Judd: Audit and review of the financial reports of the Company and any other entity in the Group	31,500	33,500
Non Audit - Independent Accountants Report	5,000	-
	<u>36,500</u>	<u>33,500</u>

25. Share based payments

Fair value of options granted

There were no share based payments made in year ended 30 June 2016 (2015: 20,000,000 Options granted).

The options were granted on 21 January 2015 to employees and consultants as part of their incentive component of their remuneration packages. The options are \$0.025 unlisted exercisable on or before 21 January 2020. The options were issued in accordance with the Company's Employee Option Plan approved at the shareholders annual general meeting on 27 November 2014. The options were valued using the Black and Scholes method.

The options are subject to vesting conditions which restrict exercise of 50% of the options until 24 months from the date the employee or consultant was appointed and the remaining 50% until 36 months from appointment date.

	Number	Grant Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Vesting Date
Jan 2015	20,000,000	21 January 2015	21 January 2020	\$0.025	\$384,000	See vesting conditions above

26. Contingencies

The Directors are not aware of any contingencies that the Company is party to that are quantifiable.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

27. Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange and interest rate and credit risks.

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar. Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate due to exchanges in foreign exchange rates. The Group is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency. Risks are managed at Board level but there are currently no formal measures in place.

b) Market risk

Price risk

The Group is exposed to equity securities price risk through the investments in securities classified on the statement of financial position as at fair value through profit or loss. Risks are managed at Board level but there are currently no formal measures in place.

The Group is exposed to commodity price risk through the future sales of oil and gas. During the current year, a total of \$nil (2015: \$7,042) was received or receivable from oil and gas sales. This amount is considered immaterial and therefore a sensitivity analysis has not been included in the financial statements.

c) Credit risk

The maximum exposure of the Group and the Company to credit risk at balance date in relation to each class of recognised financial asset is limited to the carrying amounts of the financial assets as indicated in the statement of financial position. The credit risk relates to trade and other receivables and deposits. At balance date there are no receivables past due. The Group monitors its receivables regularly to minimise its exposure to credit risk. Emerald is currently aligned with financial institutions that demonstrate high credit quality, significantly mitigating credit risk in regard to the Group's financial assets. Emerald has no significant concentration of credit risk at 30 June 2016.

d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cashflows.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

27. Financial Risk Management (continued)

e) Cashflow and Fair value Interest Rate Risk

The Group's exposure to interest rate risk relates primarily to the Group's floating interest rate cash balance which is subject to movements in interest rates. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate cash flow and interest rate risk. Refer to Note 28 for interest rate risk exposure and sensitivity analysis.

There were no changes to the risk management policies from prior years.

28. Financial Instruments

a) Fair value

All financial assets and financial liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

b) Interest rate risk

At 30 June 2015, the interest rate profile of the Group's interest-bearing financial instruments was:

	Floating interest rate \$	Non interest bearing \$	Total \$
2016 Consolidated			
<i>Financial assets</i>			
Cash and cash equivalents	11,728,194	-	11,728,194
Other financial assets	2,820,000	-	2,820,000
Trade and other receivables	-	128,262	128,262
<i>Financial Liabilities</i>			
Trade and other payables	-	(433,271)	(433,271)
Net assets	<u>14,548,194</u>	<u>(305,009)</u>	<u>14,243,185</u>
2015 Consolidated			
<i>Financial assets</i>			
Cash and cash equivalents	17,965,799	-	17,965,799
Trade and other receivables	-	134,021	134,021
<i>Financial Liabilities</i>			
Trade and other payables	-	(128,484)	(128,484)
Net assets	<u>17,965,799</u>	<u>5,537</u>	<u>17,971,336</u>

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

28. Financial Instruments (continued)

Sensitivity Analysis

A change of 150 basis points (2015: 150 basis points) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

Risk Variable	Sensitivity	Effect On:		Effect On:	
		Results 2016	Equity 2016	Results 2015	Equity 2015
		\$	\$	\$	\$
Interest Rate	+ 1.50%	218,223	218,223	269,487	269,487
	- 1.50%	(218,223)	(218,223)	(269,487)	(269,487)

c) Currency risk

At 30 June 2016 the Group had the following exposures to US\$ foreign currency risk that is not designated in cash flow hedges:

	2016	2015
	\$	\$
<i>Financial assets</i>		
Cash and cash equivalents	1,302,423	2,389
Trade receivables	-	-
Financial assets at fair value through profit or loss	-	-
Total financial assets	-	-
Trade payables and other payables		
Short term loans	-	-
Net exposure	1,302,423	2,389

Risk Variable	Sensitivity	Effect On:		Effect On:	
		Results 2016	Equity 2016	Results 2015	Equity 2015
		\$	\$	\$	\$
AUD:USD rate	+ 10.0%	(130,242)	(130,242)	(305)	(305)
	- 10.0%	130,242	130,242	305	305

The possible fluctuation in exchange rates between the Australian and US dollar of +/- 10% (2015: 10%) has been determined by the Board of Directors as being a 'reasonably possible' estimate of movement. This analysis assumes that all other variables, in particular price risk, remain constant.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

28. Financial Instruments (continued)

d) Liquidity risk

The table below sets out the Group's financial liabilities into relevant maturing groups, based on the remaining period at 30 June 2016 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including the estimated interest payments.

	Carrying amount liabilities \$	Contractual cash flows \$	Less than 12 months \$
2016			
Trade and other payables	433,271	433,271	433,271
Total	433,271	433,271	433,271
2015			
Trade and other payables	128,483	128,483	128,483
Total	128,483	128,483	128,483

e) Equity price risk

The Group is exposed to equity price risks arising from available-for-sale financial assets. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The majority of the Group's investments are publicly traded and are included in the ASX 200.

The sensitivity analysis below have been determined based on the exposure to equity price risks at the balance date.

At balance date, if the equity prices had been 5% higher or lower:

- Net profit would decrease/increase by \$18,850 (2015: nil) for the Group and the Company, as a result of the changes in fair value of fair value through profit and loss shares.
- Other equity reserves would decrease/increase by \$150,228 (2015: nil) for the Group and the Company, as a result of the changes in fair value of available-for-sale shares.

Notes to the Consolidated Financial Statements (continued) For the year ended 30 June 2016

29. Events subsequent to balance date

On 19 July 2016 the Company and Renaissance jointly announced the proposal to merge the two companies via an off market takeover offer under which the Company will acquire all of the shares in Renaissance that it does not already own by offering 1.55 new Emerald shares for every 1 Renaissance share. The Offer was recommended by all independent directors of Renaissance.

On 25 August 2016 the bidders statement and Offers along with Renaissance Target's Statement were despatched to Renaissance Shareholders.

On 16 September 2016 the Company announced that the Offer was unconditional.

On 23 September 2016 the Company announced it had acquired a relevant interest in 90.37% of the fully paid ordinary shares in Renaissance. The Company also advised that it had extended the closing date of the Offer to 5:00pm (WST) on 30 September 2016.

The Company is now proceeding to compulsorily acquire any Renaissance shares not accepted into the Company's Offer.

On 27 September 2016, as part of the Bid implementation agreement, Mr Justin Tremain has been appointed as a Director of Emerald.

Directors' Declaration

In the opinion of the directors of Emerald Resources NL ("the Company"):

- a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board

This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

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

On behalf of the Board



Simon Lee AO
Chairman

Perth
30 September 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Emerald Resources NL

Report on the Financial Report

We have audited the accompanying financial report of Emerald Resources NL ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity'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 and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Emerald Resources NL 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 its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Emerald Resources NL for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants



N G Neill
Partner

Perth, Western Australia
30 September 2016

ASX Additional Information

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

Shareholdings

The issued capital of the Company at 27 September 2016 is 1,306,627,448 ordinary fully paid shares. All ordinary shares carry one vote per share.

Top 20 Shareholders as at 27 September 2016

	No. of Shares Held	% Held
1 HART MORGAN CAIN	257,318,823	19.69%
2 STANLEY ROSS FRANCIS	222,163,613	17.00%
3 SHL PL	114,000,000	8.72%
4 CONFEDERATE CAP PL	87,498,347	6.70%
5 ZERO NOM PL	34,924,861	2.67%
6 LENNAN B J D M + I J M	30,000,000	2.30%
7 SEAH KEE KHOO	25,000,000	1.91%
8 BNP PARIBAS NOMS PL	18,034,262	1.38%
9 WILLIAMS ROSS CAMPBELL	15,000,000	1.15%
10 ATTRITION HLDGS PL	10,500,000	0.80%
11 HART GARRICK	10,022,753	0.77%
12 WILLIAMS ROSS C + N A	10,000,000	0.77%
13 P & L CAP INV PL	9,300,000	0.71%
14 DESERTFOX PL	9,300,000	0.71%
15 SNOWDON SUSAN EDITH	8,795,226	0.67%
16 MERRILL LYNCH AUST NOM PL	8,244,373	0.63%
17 HAWKESTONE RES PL	7,000,000	0.54%
18 ARVALE PL	7,000,000	0.54%
19 BJ & KM CLEARY PL	6,694,000	0.51%
20 MURRAY ANDREA	6,600,000	0.51%
	897,396,258	68.68%

Shares Range

1 – 1,000
1,001 – 5,000
5,001 – 10,000
10,001 – 100,000
100,001 and over

No. of Holders	No. of Shares
114	22,135
19	55,057
56	435,743
622	32,654,899
658	1,273,459,614
1469	1,306,627,448

Number holding less than a marketable parcel at \$0.047 per share

197 595,577

Shareholders by Location

Australian holders
Overseas holders
Unknown

No. of Holders	No. of Shares
1414	1,177,191,632
32	39,417,154
23	90,018,662
1,469	1,306,627,448

ASX Additional Information (continued)

Voting Rights

In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank pari passu with the then existing issued fully paid ordinary shares.

Substantial Shareholders as at 27 September 2016

		No. of Shares Held	% Held
1	MORGAN CAIN HART	257,318,823	19.69%
2	ROSS STANLEY	222,163,613	17.00%
3	SHL PTY LTD	114,000,000	8.72%
4	CONFEDERATE CAPITAL PTY LTD AND ASSOC	106,098,347	8.12%

Unquoted Securities

At 27 September 2016, the Company has 20,000,000 unlisted options exercisable at \$0.025, expiring 21 January 2020 held by 4 parties.

Stock Exchange Listing

Emerald is listed on the Australian Securities Exchange Limited

On-market Buy-Back

There is no current on-market buy back.

Securities Subject to Escrow

There are no securities subject to escrow

Tenement Schedule

Emerald is earning an equity interest in the Okvau and O'Chhung tenements in Cambodia pursuant to the terms of the Farm-in and Incorporated Joint Venture Agreement with Renaissance Minerals Limited and Renaissance Cambodia Pty Ltd.