Primary Gold Limited

ABN 42 122 726 283

Annual Financial Report
30 June 2016

PRIMARY GOLD LIMITED
ABN 42 122 726 283

Annual financial report – 30 June 2016

Contents

Corporate directory

Directors	Mr Dale Rogers – *Non-executive Chairman* Mr Patrick Walta – *Executive Director* Dr Marat Abzalov – *Executive Director – Exploration* Mr Evan Cranston – *Non-executive Director* Mr Garry Mills – *Non-executive Director* Mr Tony Patrizi – *Non-executive Director* Dr Mark Qiu – *Non-executive Director*
Secretary	Ms Oonagh Malone
Principal registered office in Australia	Suite 23, 513 Hay Street, Subiaco WA 6008 Phone: +61 8 6143 6700 Email: info@primarygold.com.au Mail: PO Box 1311, Subiaco WA 6904
Share register	Link Market Services Ltd Level 12, 680 George Street, Sydney, NSW 2000 Phone: +61 1300 554 474 Fax: +61 2 9287 0303 Email: registrars@linkmarketservices.com.au Website: www.linkmarketservices.com.au
Auditor	PKF Mack Level 4, 35 Havelock Street, West Perth WA 6005
Banker	Commonwealth Bank of Australia 150 St George's Terrace, Perth WA 6000
Solicitors	Bellanhouse Legal 11 Ventnor Avenue, West Perth WA 6005
Securities exchange listings	The shares of Primary Gold Limited are listed on the Australian Securities Exchange (ASX) under the code PGO.
Website address	http://www.primarygold.com.au

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as 'the Group') consisting of Primary Gold Limited ('the Company') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The names of Directors who held office during or since the end of the year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

- Mr Dale Rogers Non-executive Chairman
- Mr Patrick Walta Executive Director - appointed 23 June 2016
- Dr Marat Abzalov Executive Director - appointed 23 June 2016
- Mr Evan Cranston Non-executive Director - appointed 7 March 2016
- Mr Garry Mills Non-executive Director - appointed 7 March 2016
- Mr Tony Patrizi Non-executive Director - appointed 7 March 2016
- Dr Mark Qiu Non-executive Director
- Mr Clay Gordon Managing Director - resigned 7 March 2016
- Mr Philip Gray Non-executive Director - resigned 30 November 2015
- Mr Tim Manners Non-executive Director - resigned 31 January 2016

Principal activities

Primary Minerals NL, a wholly owned subsidiary of the Company, owns the Mount Bundy Gold Project which encompasses the Toms Gully, Rustlers Roost and Quest 29 Projects in the Northern Territory, Australia. During the year, the Company adopted a new strategy for development of large scale bulk operations centred around Rustlers Roost. As part of this change in strategy, a large scale exploration program over the entire Mount Bundy tenement package will be undertaken while environmental and safety approvals are obtained for the Toms Gully Project.

Dividends

No dividend was paid, recommended for payment nor declared during the year under review.

Review of operations

The total comprehensive loss for the Group after income tax was $3,157,511 (2015: $879,044).

The Group owns the Mount Bundy Gold Project located 90 kilometres southeast of Darwin in the Northern Territory. The Group completed the Environmental Impact Statement for the Toms Gully Underground Project and is undertaking additional work to advance environmental and safety approvals. During the year, the Group adopted a new strategy for development of large scale bulk operations centred around Rustlers Roost. The Group is continuing to explore and develop the Mount Bundy Project while evaluating other opportunities to add shareholder value.

Significant changes in state of affairs

During the year, the following significant changes in the state of affairs of the Group occurred:

- 20,290,000 shares issued at $0.013 each to raise $263,770 (before costs) in August 2015;
- Mr Philip Gray resigned as a Non-executive Director on 30 November 2015;
- Mr Tim Manners resigned as Non-executive Director on 31 January 2016;
- 45,887,867 shares issued at $0.015 each to raise $668,318 (before costs) in March 2016;
- Mr Evan Cranston, Mr Garry Mills and Mr Tony Patrizi were appointed as Non-executive Directors on 7 March 2016;
- Mr Clay Gordon resigned as Managing Director on 7 March 2016;
- 100,000,000 shares issued at $0.04 each to raise $4 million (before costs) in June 2016; and
- Mr Patrick Walta and Dr Marat Abzalov were appointed as Executive Directors on 23 June 2016.

Matters subsequent to end of financial year

The following significant events have occurred since the end of the reporting period:

1. The Company commenced exploration programs over the 1,500km^2 tenements covering the Mount Bundy Gold Project in the Northern Territory;
2. The Company and MacPhersons Resources Limited have entered a conditional Binding Heads of Agreement for the sale of the Coolgardie Gold Project. Under the Agreement, Primary Gold will purchase the Coolgardie Gold Project from MacPhersons for A$5m in cash via instalments over 12 months and 40 million ordinary Primary Gold shares which are subject to escrow. Completion of the sale of the Project and all final regulatory approvals is expected to occur by the end of October 2016; and
3. The Company executed a binding agreement with Ausdrill Limited for A$3.0M in drilling for equity programs. The agreement includes drilling over the Mount Bundy Gold Project in the Northern Territory and the newly acquired Coolgardie Gold Project in Western Australia.

Likely developments and expected results of operations

The Group intends to raise additional capital to fund exploration activities at its Mount Bundy Gold Project with an aim to develop of large scale bulk operations centred around Rustlers Roost. As at the date of this report, the Group is in the process of purchasing the Coolgardie Gold Project and, on the basis that the purchase is finalised, the additional capital raising to be undertaken by the Group will include funding for the cash component of the purchase consideration and exploration activities at the Coolgardie Gold Project.

Environmental regulation

The Group is subject to and is compliant with all aspects of environmental regulation of its exploration and development activities. The Directors are not aware of any environmental law that is not being complied with.

Information on directors

Mr Dale Rogers – B. Eng (Mining)

Chairman – Non-executive (Appointed 28 February 2013)

Experience and expertise

Mr Rogers has over 27 years' experience in the mining industry, commencing in Kalgoorlie and Kambalda in the 1980's where he managed several underground mines for WMC before moving to the new project development of WMC's Mt Keith Operations during the pre-strip and the first year of ore production in the mid-1990's. At the time, this was the largest contractor earthmoving operation by volume in the southern hemisphere. He has developed and managed operations in Australia and overseas.

Mr Rogers is a founding Director and Chairman of ASX listed Phoenix Gold Limited, a successful gold exploration and development company focussed on the Western Australian Goldfields.

Other current directorships

Phoenix Gold Limited (Executive Chairman)
A1 Consolidated Gold Ltd (Chairman)

Former directorships in last 3 years

None

Special responsibilities

Chairman of the Board

Interests in shares and options

3,296,250 ordinary shares and 8,500,000 options are held both directly and indirectly.

Mr Patrick Walta – MBA, MSci (Min. Eco.), BEng (Hons), BSci, GAICD

Executive Director (Appointed 23 June 2016)

Experience and expertise

Mr Walta is a qualified metallurgist and mineral economist with experience across both technical and commercial roles within the mining and water treatment industries. His experience within the resources industry includes: public and private company management, mineral processing, M&A, IPOs, project management, feasibility studies, exploration activities, competitive intelligence and strategic business planning.

Mr Walta holds Bachelor degrees in both Chemical Engineering and Science, Masters degrees in both Business Administration and Mineral Economics, and is also a graduate of the Australian Institute of Company Directors.

Other current directorships

None

Former directorships in last 3 years

Carbine Resources Ltd (appointed 3 April 2014; resigned 13 April 2016)

Special responsibilities

Executive Director

Interests in shares and options

1,000,100 ordinary shares and 20,000,000 options are held directly.

Dr Marat Abzalov – PhD (Geology), FAusIMM

Executive Director – Exploration (Appointed 23 June 2016)

Experience and expertise

Dr Abzalov has managed and consulted on a wide range of mining projects including government run projects, technical reviews and detailed studies from scoping to bankable feasibility. He has a solid expertise in all aspects of ore body knowledge with an emphasis on geostatistical resource estimation, samples quality assurance / control and geological / mathematical 3D modelling for which he was awarded D. Krige's gold medal by SAIMM in 2015. His exploration experience includes management and technical support to exploration activities in both brownfields and greenfields projects.

In brownfields exploration, using advance 3D visualisation of geological data and applying new 3D modelling and visualisation methodologies, Dr Abzalov built a predictive exploration model of the Olympic Dam deposit which led to the discovery of significant new resources in 2003. He also built a predictive exploration model of Cliff's Ni-S brownfields project in Western Australia which led to the discovery of a high grade zone turning the deposit to an economically viable mining project. In greenfields exploration, he has managed the search programs for deep or covered deposits using innovative targeting tools, including specialised geochemical datasets and applying quality 3D geological interpretation and visualisation. His geological analysis and exploration targeting has led to the generation of highly prospective exploration projects in Far East Russia, the Stans and Middle East (Jordan).

Other current directorships

Boss Resources Limited (appointed 2 April 2014)

Former directorships in last 3 years

None

Special responsibilities

Executive Director – Exploration

Interests in shares and options

500,000 ordinary shares and 10,000,000 options are held both directly and indirectly.

Mr Evan Cranston – BCom, LLB

Non-executive Director (Appointed 7 March 2016)

Experience and expertise

Mr Cranston is a lawyer specialising in corporate and mining law. He has extensive experience in the areas of public listed entities including capital raisings, initial public offerings and liaison with market analysts and potential investors, together with Corporate Governance, the Australian Securities Exchange's Listing Rules and the Corporations Act. His experience in mining law extends to tenement acquisition agreements, mineral right agreements, joint ventures and mergers and acquisitions. He holds both Bachelor of Commerce and Bachelor of Law degrees.

Mr Cranston is currently a non-executive director of ASX-Listed Attila Resources Limited, Boss Resources Limited, Carbine Resources Ltd, and Clancy Resources Ltd.

Other current directorships

Attila Resources Ltd (appointed 10 October 2012)
Boss Resources Ltd (appointed 2 May 2012)
Carbine Resources Ltd (appointed 23 March 2010)
Clancy Resources Ltd (appointed 23 October 2014)

Former directorships in last 3 years

Cradle Resources Ltd (appointed 28 June 2011; resigned 8 May 2016)

Special responsibilities

Nil

Interests in shares and options

8,288,446 ordinary shares and 10,000,000 options are held indirectly.

Mr Garry Mills – B. App Sc (Mining)

Non-executive Director (Appointed 7 March 2016)

Experience and expertise

Mr Mills is a Mining Engineer with over 30 years of operating experience in middle and senior management levels in a range of progressive technical and hands on positions within the mining industry. Mr Mills has operating and management experience in both open cut and underground mines in gold and base metals. He has operated throughout Australia and Africa at Mine Manager, VP Operations and Chief Operating Officer levels.

Mr Mills was previously Operations Manager at Dominion Mining Limited where he was instrumental in turning around the performance of its Challenger Gold Mine in South Australia. He has extensive experience in narrow vein gold mining starting at Coolgardie Gold's mines which has long been regarded as the pioneer of mechanised narrow vein gold mining. He was the COO of Norseman Gold where he developed mechanised mining of horizontal narrow gold veins. Garry has been involved in resurrecting some of Australia and South Africa's more successful gold mines including Jundee, Paulsens, Agnew and South Deeps where under his guidance the mines substantially reduced their operating costs. He is currently the General Manager at Northern Star Resources.

Mr Mills has significant experience in feasibility studies, project construction and strategic, middle and short term planning for effective mine operation from exploration to metal production.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Nil

Interests in shares and options

7,500,000 ordinary shares and 10,000,000 options are held indirectly.

Mr Tony Patrizi – BEng (Mech)

Non-executive Director (Appointed 7 March 2016)

Experience and expertise

Mr Patrizi is an Executive Director of GR Engineering, which he cofounded, and is a mechanical engineer with over 30 years experience in the mining and mineral processing industry. GR Engineering is recognised as one of the industry's leaders in minerals processing and the company prides itself on the services it provides starting from initial metallurgical programs, through to the various study phases and culminating in the construction and operation of the process plant. Mr Patrizi was previously the operations manager of JR Engineering which had over 300 personnel and provided workshop, maintenance, engineering and construction services to mining and mineral processing project in Western Australian and interstate. During his career Mr Patrizi has been involved in the construction of numerous gold processing plants and his experience will greatly assist the Mount Bundy Gold Project recommence operations.

Other current directorships

GR Engineering Limited

Former directorships in last 3 years

None

Special responsibilities

Nil

Interests in shares and options

16,666,666 ordinary shares and 10,000,000 options are held indirectly.

Dr Mark Qiu - PhD

Non-executive Director (Appointed 31 March 2014)

Experience and expertise

Dr Qiu has more than 25 years' experience in gold and iron ore mining, in addition to holding a number of senior management roles in Australia and abroad. This includes serving as group executive for Sino Gold Mining Limited until its acquisition by Eldorado Gold Corporation. Dr Qiu is currently the Managing Director of Hanking Gold Mining Pty Ltd and Hanking Australia Pty Ltd.

Other current directorships

China Hanking Holdings Limited (HKSE: 03788)

Former directorships in last 3 years

Kimberley Diamonds Limited (ASX: KDL) – resigned November 2014

Special responsibilities

Nil

Interests in shares and options

833,333 options held directly.

Mr Clay Gordon - B. App Sc (Geology); MSc (Mineral Economics)

Managing Director (Appointed 28 February 2013; Resigned 7 March 2016)

Experience and expertise

Mr Gordon is a geologist with 29 years' experience in the resources industry having held senior operational and management positions with various mining companies. He has experience in many commodities, including precious and base metals and industrial minerals.

Mr Gordon founded and operated Mining Assets Pty Ltd (between 2004 and 2012), which is a private consultancy involved in the assessment and marketing of mineral projects. Mr Gordon is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and has the appropriate relevant qualifications, experience and competence to be considered a "Competent Person" as defined in the JORC Code.

Other current directorships

None

Former directorships in last 3 years

Phoenix Gold Limited

Interests in shares and options at date of resignation

8,283,834 ordinary shares and 10,666,667 options are held both directly and indirectly.

Mr Tim Manners - B.Bus, FCA, AICS, MAICD

Non-executive Director (Appointed 28 February 2013; Resigned 31 January 2016)

Experience and expertise

Mr Manners has over 22 years' experience in senior finance roles within the Australian and International resources sector. He is a Fellow of the Institute of Chartered Accountants of Australia and a qualified Company Secretary. Mr Manners has significant experience in the fields of accounting, taxation, treasury and financial risk management in companies spanning all stages of corporate growth, from exploration activities, project development through to producing companies.

Having obtained his professional qualifications with Ernst & Young, Mr Manners has focussed his career in the resources industry with exposure to both base and precious metals businesses and bulk commodities. Mr Manners has held Chief Financial Officer roles at Western Areas NL, Perilya Ltd, Bathurst Resources Ltd and he is currently CFO of ASX listed Phoenix Gold Limited.

Other current directorships

None

Former directorships in last 3 years

None

Interests in shares and options at date of resignation

4,602,580 ordinary shares and 4,833,333 options are held both directly and indirectly.

Mr Philip Gray - MA, DMS, Dip.PM, Dip.M, Dip.TA, TEP, FSTA, MHKSI, FIoDSA, MAICD, FHKIoD**.**

Non-executive Director (Appointed 28 April 2008; Resigned 30 November 2015)

Experience and expertise

Mr Gray, an Investment Banker with over 37 years of international experience, is a founding shareholder of the Company formerly known as Hydrotech International Limited.

In the course of his extensive career, he has been Chairman/Director of several listed operating entities on a number of Stock Exchanges, Chairman of several professional bodies, and has been involved with Australian Capital Markets for over 20 years, first as Chairman of GT Management (Australia) and later on as Chairman of HSBC James Capel (Australia) Limited.

He holds an MA in Marketing and amongst his other qualifications; Philip is a Fellow of The Institute of Directors and a Member of The Society of Trust and Estate Practitioners.

Other current directorships

None

Former directorships in last 3 years

None

Interests in shares and options at date of resignation

7,064,310 ordinary shares and 1,609,906 options are held both directly and indirectly.

Company Secretary

Ms Oonagh Malone

(Appointed 12 October 2015)

Ms Malone was appointed as Company Secretary on 12 October 2015. Ms Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. She has over 7 years' experience in administrative and company secretarial roles for listed companies and is a member of the Governance Institute of Australia. Ms Malone currently acts as company secretary for ASX-listed Attila Resources Ltd, Boss Resources Ltd, Carbine Resources Ltd and ZYL Limited and is also a non-executive director of Attila Resource Limited and ZYL Limited.

Interests in shares and options

Nil

Mr Simon Durack – B.Comm, Post Grad Dip Bus, FCA, JP

(Appointed 22 April 2013; Resigned 12 October 2015)

Mr Durack is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of CPA Australia and a Justice of the Peace. Mr Durack holds a number of other appointments outside of the Company.

Interests in shares and options at date of resignation

300,000 shares and 15,001 options held indirectly.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2016, and the numbers of meetings attended by each Director were:

	Full meetings of directors	
	Number of meetings attended	**Number of meetings held during the time the director held office**
D Rogers	7	8
P Walta	-	-
M Abzalov	-	-
E Cranston	-	-
G Mills	-	-
T Patrizi	-	-
M Qiu	7	8
C Gordon	8	8
T Manners	4	5
P Gray	4	5

Remuneration report (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

The Board adheres to the Remuneration Policy detailed in the company's Prospectus issued in December 2012. The Remuneration Policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain desirable Directors, Company Secretaries and senior executives.

The Remuneration Committee of the Board are mindful that where possible the remuneration structures reward the achievement of strategic objectives to achieve the broader outcome of creation of value for shareholders. The Remuneration Committee continues to review and recommend to the Board on matters of remuneration policy and specific emolument recommendations in relation to senior management and Directors.

Non-executive directors

Fees

On 7 March 2016, the Board resolved to increase the annual fee for non-executive Directors to $30,000pa (2015: $25,000pa), and the Chairman's fee were decreased to $30,000pa from 1 January 2016 (2015: $47,500pa) considering the on-going challenges faced by the mining sector. The Board will continue to review these fees on a regular basis.

Non-executive Directors fees are determined within an aggregate directors' fee pool limit, which will be periodically approved by shareholders in the general meeting (the current limit is $400,000). These fees were approved by the Company in the general meeting held on 28 February 2007.

A Director may be paid fees or other amounts if the Directors so determine where a Director performs special duties or otherwise perform services outside the scope of the ordinary duties of a director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Retirement benefits

Non-executive Directors do not receive retirement benefits.

Superannuation

Executive Directors of the Company are paid superannuation at the statutory rate prescribed by the law and forms part of their remuneration, where applicable. The Company makes statutory employer contributions on behalf of its Directors to the superannuation fund of their choice, as is required by legislation.

Executive director and senior management remuneration

The Company previously had one full-time employee, the previous Managing Director.

Base salary

Base salary is set with reference to the local market data where the individual is required to work, and endeavours to reflect the scope of the role and the performance of the person in the role. Should the role require a unique skill set, this is also reflected in the base salary. Salaries are reviewed annually and generally reflect a "middle-of-the-market" approach, wherever comparisons to similar comparative roles can be made.

Remuneration report (Audited) *(continued)*

New Director incentive options

The Company issued 60,000,000 new director incentive options during 2016 to align the interests of new Directors with the Company, as further detailed below.

Directors' options (executive and non-executive)

2016 Director options.

During the year, the following new unlisted options were granted to Directors:

Option series	Grant date	No. of options	Fair value per option	**Total fair value of options issued**
Exercise price $0.04 expiring 7 March 2019	7 March 2016	30,000,000	$0.02325	**$697,500**
Exercise price $0.075 expiring 23 June 2019	23 June 2019	15,000,000	$0.05421	**$813,150**
Exercise price $0.10 expiring 23 June 2019	23 June 2019	15,000,000	$0.05058	**$758,700**
Total		**60,000,000**		**$2,269,350**

The above options were issued to the following Directors:

	Option Series			**Total Options**
	Exercise price $0.04 expiring 7 March 2019	Exercise price $0.075 expiring 23 June 2019	Exercise price $0.10 expiring 23 June 2019	
P Walta	-	10,000,000	10,000,000	**20,000,000**
M Abzalov	-	5,000,000	5,000,000	**10,000,000**
E Cranston	10,000,000	-	-	**10,000,000**
G Mills	10,000,000	-	-	**10,000,000**
T Patrizi	10,000,000	-	-	**10,000,000**
Total	**30,000,000**	**15,000,000**	**15,000,000**	**60,000,000**

2015 Director options.

During 2015, 10 million new unlisted options were granted to Directors. Of these options Mr Clay Gordon was granted 5,000,001 options, Mr Dale Rogers was granted 2,500,000 options, and the remaining non-executive Directors were granted 833,333 options each. These options were granted in five equal tranches with the below vesting conditions. 20% of the options issued to Mr Gordon, Mr Manners and Mr Gray became incapable of vesting as these three Directors resigned before:

1 – Secure exploration funding & achieve 2 million ounces Inferred JORC Resource;

2 – Complete mining studies and achieve 250,000 ounces Probable JORC Reserve;

3 – Secure project funding solution and first production;

4 – $6 million market capitalisation and 12 months service from grant; and

5 – $12 million market capitalisation and 24 months service from grant

Remuneration report (Audited) *(continued)*

Employment contracts

Patrick Walta - Executive Director

Terms of agreement – Mr Walta is employed as an Executive Director of the Company, commencing from 23 June 2016. Mr Walta's remuneration is set at $10,000 per month. Additionally he was issued with 10,000,000 unquoted options over securities in the Company exercisable at $0.075 each and expiring 23 June 2019, and 10,000,000 unquoted options over securities in the Company exercisable at $0.10 each and expiring 23 June 2019.

The agreement can be terminated with three months' notice by either party, with an amount equal to three months fees payable in full and final satisfaction of all claims.

Dr Marat Abzalov - Executive Director - Exploration

Terms of agreement – Dr Abzalov is employed as a Director - Exploration of the Company, commencing from 23 June 2016. Dr Abzalov's remuneration is set at $10,000 per month, inclusive of any superannuation. Additionally he was issued with 5,000,000 unquoted options over securities in the Company exercisable at $0.075 each and expiring 23 June 2019, and 5,000,000 unquoted options over securities in the Company exercisable at $0.10 each and expiring 23 June 2019.

The agreement can be terminated with three months' notice by either party, with an amount equal to three months fees payable in full and final satisfaction of all claims.

Clay Gordon - Previous Managing Director (resigned 7 March 2016)

Terms of agreement – Mr Gordon was employed on a full-time basis as Managing Director of the Company, commencing from 1 March 2013 until his resignation on 7 March 2016. Mr Gordon's remuneration was previously set at $250,000 per annum, plus SGC and the provision of a fully maintained motor vehicle. Mr Gordon's remuneration was reduced to $160,000 per annum plus SGC from 1 February 2016. Although the agreement was previously terminable with six months' notice by either party, on resignation Mr Gordon was paid an additional $88,986 in full satisfaction of all entitlements, with absolute release of both parties from all legal claims against each other.

Oonagh Malone - Company Secretary

Terms of agreement – Ms Malone has been engaged through Konkera Corporate, to provide Company Secretarial services to the Group for fees of $14,000 per annum from October 2015, with no notice or additional benefits required for termination.

Simon Durack - Previous Company Secretary (resigned 12 October 2015)

Terms of agreement – Mr Durack was engaged through his private company to provide part-time Company Secretarial and CFO services to the Group for fees of $4,000 per month. The agreement was terminated on 12 October 2015 with no additional termination benefits payable.

Remuneration report (Audited) *(continued)*

Details of remuneration

Details of the remuneration of the directors and key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

Key management personnel of the Group and other executives of the Company and the Group

2016	**Short term employee benefits (paid or payable as at 30 June 2016)**	**Post-employment benefits**		**Long-term benefits**	**Share-based payments**			
Name	**Cash, salary & fees**	**Termination payments**	**Superannuation**	**Long service leave**	**Options**	**Total**	**Proportion of remuneration performance related**	**Value of options as proportion of remuneration**
	$	**$**	**$**	**$**	**$**	**$**	**%**	**%**
D Rogers (1)	148,250	-	-	-	27,533	175,783	15.70%	15.70%
E Cranston (appointed 7 March 2016)	9,516	-	-	-	232,500	242,016	96.10%	96.10%
G Mills (appointed 7 March 2016)	9,516	-	-	-	232,500	242,016	96.10%	96.10%
T Patrizi (appointed 7 March 2016)	9,516	-	-	-	232,500	242,016	96.10%	96.10%
M Qiu	21,500	-	2,019	-	2,413	25,932	9.30%	9.30%
T Manners (resigned 31 January 2016)	14,583	-	-	-	15,702	30,285	51.80%	51.80%
P Gray (resigned 30 November 2015)	10,417	-	-	-	2,174	12,591	17.30%	17.30%
P Walta (Executive Director) (appointed 23 June 2016)	2,667	-	-	-	1,047,900	1,050,567	99.70%	99.70%
M Abzalov (Executive Director - Exploration) (appointed 23 June 2016)	12,667	-	-	-	523,950	536,617	97.60%	97.60%
C Gordon (Managing Director) (resigned 7 March 2016)	208,055	88,986	17,654	-	48,959	363,654	13.50%	13.50%
O Malone (Company Secretary) (appointed 12 October 2015)	10,500	-	-	-	-	10,500	-	-
S Durack (Company Secretary & CFO) (resigned 12 October 2015)	16,548	-	-	-	-	16,548	-	-
TOTAL	**473,735**	**88,986**	**19,673**	**-**	**2,366,131**	**2,948,525**	**80.20%**	**80.20%**

(1) The majority of the fees paid to Mr Rogers were paid to his private company, Peregrine Enterprises Pty Ltd, for consulting work undertaken to update the Feasibility Study.

Remuneration report (Audited) *(continued)*

Key management personnel of the Group and other executives of the Company and the Group

2015	**Short term employee benefits**				**Post-employment benefits**	**Long-term benefits**	**Share-based payments**			
Name	**Cash, salary & fees**	**Cash profit share**	**Non-cash benefit**	**Total**	**Superannuation**	**Long service leave**	**Options**	**Total**	**Proportion of remuneration performance related**	**Value of options as proportion of remuneration**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
D Rogers (1)	157, 000	-	-	157,000	-	-	78,591	235,591	33.4%	33.4%
T Manners	25,000	-	-	25,000	-	-	50,993	75,993	67.1%	67.1%
P Gray	25,000	-	-	25,000	-	-	1,401	26,401	5.3%	5.3%
M Qiu	25,000	-	-	25,000	2,375	-	1,401	28,776	4.9%	4.9%
C Gordon (Managing Director)	250,000	-	-	250,000	23,750	-	132,388	406,138	32.6%	32.6%
S Durack (Company Secretary & CFO)	64,000	-	-	64,000	-	-	-	64,000	-	-
TOTAL	**546,000**	**-**	**-**	**546,000**	**26,125**	**-**	**264,774**	**836,899**	**31.6%**	**31.6%**

(1) The majority of the fees paid to Mr Rogers were paid to his private company, Peregrine Enterprises Pty Ltd, for consulting work undertaken to update the Feasibility Study.

Remuneration report (Audited) *(continued)*

Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers of shares in the Company held during the financial year by each director of Primary Gold Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2016	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year or resignation
Ordinary shares				
D Rogers	**3,296,250**	**-**	**-**	**3,296,250**
E Cranston	**-**	**-**	**8,288,446**	**8,288,446**
G Mills	**-**	**-**	**7,500,000**	**7,500,000**
T Patrizi	**-**	**-**	**16,666,666**	**16,666,666**
M Qiu	**-**	**-**	**-**	**-**
P Walta	**-**	**-**	**1,000,100**	**1,000,100**
M Abzalov	**-**	**-**	**500,000**	**500,000**
O Malone	**-**	**-**	**-**	**-**
C Gordon	**9,367,168**	**-**	**(1,083,334)**	**8,283,834**
T Manners	**4,602,580**	**-**	**-**	**4,602,580**
P Gray	**7,064,310**	**-**	**-**	**7,064,310**
S Durack	**300,000**	**-**	**-**	**300,000**
Total	**24,630,308**	**-**	**32,871,878**	**57,502,186**

Other transactions with key management personnel:

There were the following other transactions with related parties during the year ended 30 June 2016 (2015: Nil):

- Bookkeeping and administrative fees billed by Konkera Corporate of $27,000, a related party of Evan Cranston
- Office rent paid to entities controlled by Kingslane Pty Ltd of $11,333, a related party of Evan Cranston

Remuneration report (Audited) *(continued)*

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Primary Gold Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2016	**Balance at start of the year**	**Granted as Compensation**	**Acquired**	**Lapsed/ Forfeited**	**Balance at end of the year or resignation**	**Vested and exercisable**	**Unvested**
D Rogers	**8,500,000**	**-**	**-**	**-**	**8,500,000**	**-**	**8,500,000**
E Cranston	**-**	**10,000,000**	**-**	**-**	**10,000,000**	**10,000,000**	**-**
G Mills	**-**	**10,000,000**	**-**	**-**	**10,000,000**	**10,000,000**	**-**
T Patrizi	**-**	**10,000,000**	**-**	**-**	**10,000,000**	**10,000,000**	**-**
M Qiu	**833,333**	**-**	**-**	**-**	**833,333**	**-**	**833,333**
P Walta	**-**	**20,000,000**	**-**	**-**	**20,000,000**	**20,000,000**	**-**
M Abzalov	**-**	**10,000,000**	**-**	**-**	**10,000,000**	**10,000,000**	**-**
O Malone	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C Gordon	**16,045,835**	**-**	**-**	**(5,379,168)**	**10,666,667**	**-**	**10,666,667**
T Manners	**5,253,468**	**-**	**-**	**(420,135)**	**4,833,333**	**-**	**4,833,333**
P Gray	**1,531,504**	**-**	**78,402**	**-**	**1,609,906**	**776,573**	**833,333**
S Durack	**15,001**	**-**	**-**	**-**	**15,001**	**15,001**	**-**
Total	**32,179,141**	**60,000,000**	**78,402**	**(5,799,303)**	**86,458,240**	**60,791,574**	**25,666,666**

All vested options are exercisable on or before expiry date.

Remuneration report (Audited) *(continued)*

Performance-based Remuneration

Year Ended 30 June 2016

Options and rights over equity instruments granted as compensation

During the year, the following new unlisted options were granted to the following Directors as part of their performance-based remuneration:

2016 Name	Options Number	Total value of options $	Options expensed in 2016 $
Directors			
P Walta	20,000,000	1,047,900	1,047,900
M Abzalov	10,000,000	523,950	523,950
E Cranston	10,000,000	232,500	232,500
G Mills	10,000,000	232,500	232,500
T Patrizi	10,000,000	232,500	232,500
Total	**60,000,000**	**2,269,350**	**2,269,350**

Year Ended 30 June 2015

Options and rights over equity instruments granted as compensation

In the 2014 Annual General Meeting of the Company, shareholders approved the granting of 10,000,000 options to Directors, at an exercise price of $0.031, expiring on 28 November 2018. The following Directors received equity based payments as part of their compensation packages during the year ended 30 June 2013.

2015 Name	Options Number	Total value of options $	Options expensed in 2015 $
Directors			
C Gordon	5,000,001	57,655	8,409
D Rogers	2,500,000	28,828	4,204
T Manners	833,333	9,609	1,401
P Gray	833,333	9,609	1,401
Dr M Y Qiu	833,333	9,609	1,401
Total	**10,000,000**	**115,310**	**16,816**

The Options shall vest on satisfaction of the following vesting conditions.

- 1 – Secure exploration funding & achieve 2 million ounces Inferred JORC Resource;
- 2 – Complete mining studies and achieve 250,000 ounces Probable JORC Reserve;
- 3 – Secure project funding solution and first production;
- 4 – $6 million market capitalisation and 12 months service from grant; and
- 5 – $12 million market capitalisation and 24 months service from grant

Remuneration report (Audited) *(continued)*

Shares provided on exercise of remuneration options

During the reporting period, no shares were issued to key management personnel on the exercise of options previously granted as remuneration.

Use of remuneration consultants

The company has not engaged the services of remuneration consultants to review its Executive remuneration recommendations.

Company performance

The following table shows key performance indicators for the Group over the last five years:

	2016	2015	2014	2013	2012
Loss for the year	(3,157,511)	(879,044)	(1,367,343)	(1,145,147)	(923,666)
Closing share price ($)	0.09	0.014	0.034	0.062	0.0008
Basic and diluted loss per share (cents)	(0.98)	(0.53)	(3.53)	(2.97)	(0.16)

This is the end of the audited Remuneration report.

Shares under option

Unissued ordinary shares of Primary Gold Limited under option at the date of this report are as follows:

Date option issued	Expiry date	Issue price of shares	Number under option
1 March 2013 (Unlisted)	28 February 2017	$0.20	12,666,666
28 November 2014 (Unlisted)	28 November 2018	$0.031	8,666,667
7 March 2016 (Unlisted)	7 March 2019	$0.04	30,000,000
23 June 2016 (Unlisted)	23 June 2019	$0.075	15,000,000
23 June 2016 (Unlisted)	23 June 2019	$0.10	15,000,000
			81,333,333

No option holder has any rights under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

During and since the end of the financial year no options have been exercised.

Insurance of officers

The Company has entered into a deed of access, indemnity and insurance with each of its current and former directors, and the Company Secretary. Under the terms of the deed, the Company indemnifies the officer or former officer, to the extent by law, for the liabilities incurred as an officer of the Company.

Since the end of the previous financial year, the Company has paid premiums in respect of contracts insuring the current and former directors and officers of the Company against liabilities incurred by them to the extent permitted by the *Corporations Act 2001*. The contracts prohibit disclosure of the nature of the liability cover and the amount of the premium.

Non-audit services

A total of $37,000 (2015: $33,500) was paid for audit services during the year as detailed in note 20. A total of $1,950 (2015: $2,140) was paid for non-audit services performed during the year.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001, and did not compromise the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

Auditor

PKF Mack continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

D C Rogers
Chairman
30 September 2016

PKF MACK

Accounting, Financial and Business Advisory

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF PRIMARY GOLD LIMITED

In relation to our audit of the financial report of Primary Gold Limited for the year ended 30 June 2016, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Mack

PKF MACK

SIMON FERMANIS
PARTNER

30 SEPTEMBER 2016
WEST PERTH
WESTERN AUSTRALIA

PKF Mack
ABN 64 591 268 274

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PRIMARY GOLD LIMITED
Annual financial report – 30 June 2016

These consolidated financial statements comprise consolidated entity consisting of Primary Gold Limited and its wholly owned subsidiary, Primary Minerals NL. The financial statements are presented in the Australian currency.

Primary Gold Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Primary Gold Limited
Suite 23/513 Hay Street
Subiaco WA 6008
The financial statements were authorised for issue by the directors on 30 September 2016. The Directors have the power to amend and reissue the financial statements.

	Notes	Consolidated 2016 $	Consolidated 2015 $
Revenue from continuing operations	5	**51,555**	105,160
Expenses			
Administration expenses		**(653,937)**	(689,576)
Consultants & administration expenses		**(147,754)**	(183,071)
Financial costs		**(1,276)**	(2,001)
Legal expenses		**(55,607)**	(47,786)
Share based payments expense		**(2,359,849)**	(264,774)
Exploration expensed		**(128,073)**	(38,046)
Total expenses	6	**(3,346,496)**	(1,225,254)
Loss before income tax		**(3,294,941)**	(1,120,094)
Income tax benefit	7	**137,430**	241,050
Loss for the year from continuing operation		**(3,157,511)**	(879,044)
Loss is attributable to the owners of Primary Gold Limited		**(3,157,511)**	(879,044)
Loss for the year		**(3,157,511)**	(879,044)
Other comprehensive loss		**-**	-
Other comprehensive loss for the year, net of tax		**-**	-
Total comprehensive loss for the year		**(3,157,511)**	(879,044)
Total comprehensive loss for the year is attributable to owners of Primary Gold Limited		**(3,157,511)**	(879,044)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic and diluted loss per share	26	**(0.98)**	(0.53)
Basic loss per share (cents) for loss from continuing operation	26	**(0.98)**	(0.53)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Note	Consolidated	
		2016	**2015**
		$	**$**
ASSETS			
Current Assets			
Cash and cash equivalents	8	**4,490,676**	1,668,468
Trade and other receivables	9	**54,047**	75,279
Total current assets		**4,544,723**	1,743,747
Non-current assets			
Exploration and evaluation costs	10	**13,846,259**	14,787,630
Other assets	11	**2,769,020**	2,769,020
Property, plant and equipment	12	**-**	2,267
Total non-current assets		**16,615,279**	17,558,917
Total assets		**21,160,002**	19,302,664
LIABILITIES			
Current liabilities			
Trade and other payables	13	**313,354**	729,088
Provisions	14	**-**	20,833
Total current liabilities		**313,354**	749,921
Non-current liabilities			
Provisions	15	**2,769,020**	4,343,969
Total non-current liabilities		**2,769,020**	4,343,969
Total liabilities		**3,082,374**	5,093,890
Net assets		**18,077,628**	14,208,774
EQUITY			
Contributed equity	16	**33,707,140**	29,040,624
Reserves	17(a)	**5,160,979**	2,801,130
Accumulated losses	17(b)	**(20,790,491)**	(17,632,980)
Total equity		**18,077,628**	14,208,774

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated

	Contributed equity	Options reserve	Accumulated losses	Total equity
	$	$	$	$
Balance at 1 July 2014	27,587,312	2,536,356	(16,753,936)	13,369,732
Total comprehensive loss for the year	-	-	(879,044)	(879,044)
Transactions with owners in their capacity as owners:				
Private placement net of transaction costs	94,000	-	-	94,000
Entitlement issue net of transaction costs	1,159,594	-	-	1,159,594
Private placement net of costs	199,718	-	-	199,718
Consideration options issued for the acquisition of Primary Gold Limited	-	264,774	-	264,774
	1,453,312	264,774	(879,044)	839,042
Balance at 30 June 2015	29,040,624	2,801,130	(17,632,980)	14,208,774
Balance at 1 July 2015	**29,040,624**	**2,801,130**	**(17,632,980)**	**14,208,774**
Total comprehensive loss for the year	**-**	**-**	**(3,157,511)**	**(3,157,511)**
Transactions with owners in their capacity as owners:				
Private placement	**263,770**	**-**	**-**	**263,770**
Exercise of options	**808**	**-**	**-**	**808**
Private placement	**688,318**	**-**	**-**	**688,318**
Private placement	**4,000,000**	**-**	**-**	**4,000,000**
Transactions costs	**(286,380)**	**-**	**-**	**(286,380)**
Prior year options vested during the year	**-**	**90,499**	**-**	**90,499**
Director incentive options	**-**	**2,269,350**	**-**	**2,269,350**
	4,666,516	**2,359,849**	**-**	**7,026,365**
Balance at 30 June 2016	**33,707,140**	**5,160,979**	**(20,790,491)**	**18,077,628**

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

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Payments to suppliers and employees		**(813,000)**	(927,871)
Research and development grants received		**137,430**	445,014
Finance costs		**(1,276)**	-
Interest and other items of a similar nature received		**51,555**	105,160
Net cash outflow from operating activities	25	**(625,291)**	(377,697)
Cash flows from investing activities			
Payments of property, plant and equipment		**-**	(2,267)
Payment for exploration expenditure		**(1,236,841)**	(1,296,451)
Decrease in environmental deposit paid		**-**	-
Security bond paid		**-**	-
Net cash outflow from investing activities		**(1,236,841)**	(1,298,718)
Cash flows from financing activities			
Proceeds from entitlement issue & share placement		**4,952,896**	1,615,492
Share issue transaction costs		**(268,556)**	(162,179)
Net cash inflow from financing activities		**4,684,340**	1,453,313
Net increase in cash and cash equivalents		**2,822,208**	(223,102)
Cash and cash equivalents at the beginning of the financial year	8	**1,668,468**	1,891,570
Cash and cash equivalents at end of year	8	**4,490,676**	1,668,468

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

1 Statement of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are the consolidated entity consisting of Primary Gold Limited and its subsidiary. Primary Gold Limited is a listed public company, incorporated and domiciled in Australia.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Primary Gold Limited is a for profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the Primary Gold Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Historical cost convention

These financial statements have been prepared on an accruals basis under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

As at 30 June 2016 the Group had working capital of $4,231,369 (2015 $993,826) and returned a loss attributable to owners of $3,157,511 (2015 $879,044). The ability of the Group to continue as a going concern is dependent upon the future successful raising of the necessary funding through equity and/or debt and the successful exploitation of the Group's tenements.

The Directors believe it is appropriate to prepare the Financial Statements on a going concern basis because:

- The Directors have appropriate plans to raise additional funds as and when required; and
- The Directors have an appropriate plan to contain certain operating and exploration expenditure if required funding is not available.

These Financial Statements have been prepared on the basis that the Company can meet its commitments as and when they fall due and can therefore continue normal business activities and the realisation of its assets and settlement of its liabilities can occur in the ordinary course of business.

In the event the Group is not able to achieve the above requirements, there is a significant uncertainty whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in its financial report.

1 Statement of significant accounting policies *(continued)*

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Primary Gold Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Primary Gold Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the Consolidated Income Statement.

(c) Segment report

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board who makes strategic decisions.

1 Statement of significant accounting policies *(continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Primary Gold Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- *assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position*
- *income and expenses for each Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and*
- all resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

1 Statement of significant accounting policies *(continued)*

(e) Revenue recognition *(continued)*

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(g) Income tax

The income tax expense or benefit for the period is the tax payable on that 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, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Research and development grant income is treated as a tax benefit.

1 Statement of significant accounting policies *(continued)*

(g) Income tax *(continued)*

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

The corporate tax rate in Australia was changed from 30% to 28.5% with effect from 1 July 2015. This revised rate has not impacted the current tax asset for the current year but will do so in future periods. However, the impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period. The effect of this change in tax rate on deferred taxes has been disclosed in the reconciliation of deferred taxes in Note 7.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance 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 the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

1 Statement of significant accounting policies *(continued)*

(k) Investments and other financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9 in the Statement of Financial Position).

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(l) Property, Plant and Equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term:

The depreciation rates used for each class of depreciable assets are as follows:

Class of fixed asset	**Depreciation rate**
Plant and equipment	10%–25%

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

1 Statement of significant accounting policies *(continued)*

(m) Exploration and evaluation expenditure

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

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

A. the rights to tenure of the area of interest are current; and
B. at least one of the following conditions is also met:

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

For each area of interest, expenditure incurred on the exploration of tenements throughout Australia is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. The recoverable amount of each area of interest is determined on a bi - annual basis and the provision recorded in respect of that area adjusted so that the net carrying amount does not exceed the recoverable amount. For areas of interest that are not considered to have any commercial value, or where exploration rights are no longer current, the capitalised amounts are written off against the provision and any remaining amounts are charged against profit. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition

(o) Borrowings

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1 Statement of significant accounting policies *(continued)*

(o) Borrowings *(continued)*

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

(p) Provisions

Provisions for legal claims, rehabilitation, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(q) Employee benefits

(i) *Short-term obligations*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) *Other long-term employee benefit obligations*
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Retirement benefit obligations*
All Australian-resident employees of the Group are entitled to receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Other amounts charged to the financial statements in this respect represents the contributions made by the consolidated entity to employee retirement benefit funds in other jurisdictions.

(iv) *Share-based payments*
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

1 Statement of significant accounting policies *(continued)*

(q) Employee benefits (continued)

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, 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, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.

- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(r) Contributed equity

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

1 Statement of significant accounting policies *(continued)*

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 26).

(ii) Diluted earnings per share

Diluted earnings 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statement of Financial Position.

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

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value 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 either as 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.

1 Statement of significant accounting policies *(continued)*

(u) **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(v) **New, revised or amending Accounting Standards and Interpretations adopted**

The Group has adopted all of the new and revised Australian Accounting Standards that are relevant and applicable for the current reporting period. The adoption of these standards did not have a significant impact on the financial performance or position of the Group.

(w) **Rounding of amounts**

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission relating to “rounding off”. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

1 Statement of significant accounting policies *(continued)*

(x) New, revised or amending Accounting Standards and Interpretations not yet adopted

The following Australian Accounting Standards have been issued or amended and are applicable to the annual financial statements of the Group but are not yet effective. This assumes the following have not been adopted in preparation of the financial statements at the reporting date. None of the standards issued and not yet effective are expected to have a significant impact on the financial statements.

AASB No.	Title	Application date of standard *	Issue date
AASB 9	Financial Instruments	1 January 2018	December 2014
AASB 2010-7	Amendments arising from Accounting Standards arising from AASB 9 (December 2010)	1 January 2018	September 2012
AASB 2014-4	Amendments to Australian Accounting Standard - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	August 2014
AASB 2014-5	Amendments to Australian Accounting Standard Arising From AASB 15	1 January 2018	December 2014
AASB 2014-7	Amendments to Australian Accounting Standard Arising From AASB 9 (December 2014)	1 January 2018	December 2014
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016	January 2015
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	January 2015
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	1 January 2016	January 2015
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2018	October 2015
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs	1 January 2016	November 2015
AASB 2015-10	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.	1 January 2018	December 2015
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	February 2016
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	March 2016
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	May 2016
AASB 15	Revenues from Contracts with Customers	1 January 2018	October 2015
AASB 16	Leases	1 January 2019	February 2016
AASB 1057	Application of Australian Accounting Standards	1 January 2016	November 2015

* Annual reporting periods beginning after

**Applicable only if the Parent Company is not in Australia

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, interest rate risk, credit risk and liquidity 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. The Group uses different methods to measure different types of risk to which it is exposed.

The Company's Board of directors performs the duties of a risk management committee in identifying and evaluating sources of financial and other risks. The Board seeks to apply principles for overall risk management which balance the potential adverse effects of financial risks on the Group's financial performance and position with the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various methods available to manage them.

The Group holds the following financial instruments:

	Consolidated	
	2016	**2015**
	$	**$**
Financial assets		
Cash and cash equivalents	**4,490,676**	1,668,468
Trade and other receivables	**54,047**	75,279
	4,544,723	1,743,747
Financial liabilities		
Trade and other payables	**313,354**	729,088
Loans and borrowings	**-**	-
	313,354	729,088

(a) Market Risk

(i) Interest rate risk

As at and during the year ended on reporting date, the Group had no significant interest bearing assets or liabilities other than liquid funds on deposit. As such, the Group's income and operating cash flows (other than interest income from funds on deposit) are substantially independent of changes in market interest rates. The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below:

	Consolidated	
	2016	**2015**
	$	**$**
Financial Assets		
Cash and cash equivalents at Floating rate*	**4,490,676**	1,668,468

** Weighted average effective interest rate 1.08% (2015 – 2.0%)*

Group sensitivity

At 30 June 2016, if interest rates had changed by +/- 80 basis points from the year end with all other variables held constant, the loss for the year would have been $35,925 lower/higher (2015 - $13,348), mainly as a result of a lower/higher interest income from cash and cash equivalents. Equity would have been $35,925 higher/lower (2015 - $13,348 higher/lower) as a result of an increase/decrease in interest income from cash and cash equivalents.

2 Financial risk management *(continued)*

(ii) Commodity risk pricing

The Group is not exposed to commodity risk price risk.

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. For banks and financial institutions, only independently rated parties with a minimum of 'A' are accepted. The Group trades only with recognised, trustworthy third parties. It is the Group's policy to perform credit verification procedures in relation to any customer's financial position and any past experience to set individual risk limits as determined by the Board.

The maximum exposure to credit risk at the reporting date is the carrying amount of the following financial assets:

	Consolidated	
	2016	**2015**
	$	**$**
Trade and other receivables	**54,047**	75,279

(c) Liquidity risk

Prudent liquidity risk management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the Board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturities of financial liabilities

As at the reporting date the Group has total financial liabilities of $313,354 (2015: $729,088), comprised of trade creditors and accruals with a maturity of 1 – 3 months.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2 Financial risk management *(continued)*

(e) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash equivalents and equity attributable to equity holders of the Parent. The Group is not subject to externally imposed capital requirements.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(b) Critical judgments in applying the entity's accounting policies

Impairment of assets
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include economic and political environments and future production expectations.

The Group particularly considered potential impairment of the Mount Bundy Gold Project at 30 June 2016 because of the possibility that the change in strategic direction may have an adverse effect on the entity. After considering various factors including sensitivities, the Directors concluded that no impairment was required on the Mount Bundy Gold Project as the recoverable amount exceeded the carrying value of $13,846,259 at 30 June 2016.

This judgement was based on a discounted cash flow model with a gold price of $US 1,325 per ounce, a AUD:USD exchange rate of 0.7574, a discount factor of 12% and all in sustaining cash costs of $1,137 per ounce. The result of this model had a net present value above the carrying value of the Mount Bundy Gold Project.

Exploration Expenditure
The write-off and carrying forward of exploration acquisition costs is based on an assessment of an area of interest's viability and / or the existence of economically recoverable reserves. Information may come to light in a later period which results in the asset being written off as it is not considered viable.

Deferred Consideration for acquisition of Mount Bundy Gold Project
For the year ended 30 June 2015 and previously, the deferred consideration relating to royalty and deferred payments payable on the acquisition on the Mount Bundy Gold Project had been assessed by the directors as having a probability of 80% of the full liability, taking into account the time value of money, and the calculation of the royalty portion of the deferred consideration was only based on production from the Toms Gully Project. Following the change of strategy of the Company to conduct further exploration at Mount Bundy and develop a large scale bulk operation centred around Rustlers Roost, for the year ended 30 June 2016 there is sufficient uncertainty regarding the timing, probability and amount of the deferred consideration that the directors consider it appropriate to reclassify the deferred consideration as a contingent liability. Refer to Note 15.

3 Critical accounting estimates and judgements *(continued)*

Environmental/ Rehabilitation

When the Company acquired its 100% owned subsidiary, Primary Gold Limited, it was required to take over an environment bond obligation to the Northern Territory Government, arising from the acquisition of the Mount Bundy Gold Project. Refer to note 15.

Option Valuation

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The company follows the guidelines of AASB 2: Share Based Payments and takes into account market and non-market vesting conditions and estimates the probability and expected timing of achieving the performance conditions.

4 Segment reporting

Operating segments are now reported in a manner that is consistent with the internal reporting to the Chief Operating Decision Maker, which has been identified by the Group as the Managing Director and other members of the board of directors.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. For the current reporting period, the Group's sole activity was mineral exploration and resource development wholly within Australia, which is its only reportable segment.

The reportable segment is represented by the financial statements forming this financial report.

5 Revenue

	Consolidated	
	2016	2015
	$	$
From continuing operations		
Other revenue		
Interest from financial assets	**51,555**	105,160
Total Revenue from continuing operations	**51,555**	105,160

6 Expenses

	Consolidated	
	2016	2015
	$	$
Loss before income tax from continuing operation includes the following specific expenses:		
Depreciation	**2,267**	-
Finance costs		
Interest and finance charges	**1,276**	2,001
Operating lease rental	**54,936**	58,063
Salary and Wages		
Employee benefit expense	**289,776**	250,000
Superannuation	**18,842**	23,750
	367,097	333,814

7 Income tax expense

	Consolidated	
	2016	2015
	$	**$**
(a) Income tax expense		
Current tax	(137,430)	(241,050)
Deferred tax	-	-
Adjustments for current tax of prior periods	-	-
Income tax benefit reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(137,430)	(241,050)
Income tax expense is attributable to:		
Loss from continuing operations	-	-
Loss from discontinued operations	-	-
Aggregate income tax expense	-	-
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	-	-
Decrease (increase) in deferred tax liabilities	-	-
	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense	**(3,157,511)**	(1,120,094)
Income tax / (benefit) at the Australian tax rate of 28.5% (2015: 30%)	**(899,891)**	(336,028)
Tax effect of amounts which are not deductible in calculating taxable income:		
Entertainment	**74**	**-**
Share based payments	**672,557**	79,432
Other non-deductible expenditure	**36,501**	-
Capital raising expenses	**(101,390)**	(89,544)
Research and development grant	**(137,430)**	(241,050)
	(429,579)	(587,190)
Temporary differences and tax losses not brought to account as deferred tax asset	**292,149**	346,140
Income tax expense / (benefit)	**(137,430)**	(241,050)

7 Income tax expense (continued)

The corporate tax rate in Australia was changed from 30% to 28.5% with effect from 1 July 2015. This revised rate has not impacted the current tax asset for the current year but will do so in future periods. However, the impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period. The effect of this change in tax rate on deferred taxes has been disclosed in the reconciliation of deferred taxes below.

	Consolidated	
Unrecognised deferred tax assets and liabilities	**2016 $**	**2015 $**
The directors estimate that the potential future income tax benefits carried forward but not brought to account at year end at the Australian corporate tax rate of 28.5% (2015:30%) are made up as follows:		
Australian tax losses	**4,106,039**	3,696,939
Australian deductible temporary differences	**245,863**	367,416
Australian taxable temporary differences	**(2,829,218)**	(3,097,509)
Unrecognised net deferred tax assets	**1,522,684**	966,846

The tax benefits of the above deferred tax assets will only be obtained if:

(i) the Company derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised;
(ii) the Company complies with the conditions for deductibility imposed by law; and
(iii) no changes in income tax legislation adversely affecting the Company in utilising the benefits.

8 Current assets – Cash and cash equivalents

	Consolidated	
	2016 $	**2015 $**
Cash at bank and in hand	**4,490,676**	1,668,468
	4,490,676	1,668,468

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	**4,490,676**	1,668,468
Balances per statement of cash flows	**4,490,676**	1,668,468

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to interest rate risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9 Current assets – Trade and other receivables

	Consolidated	
	2016	2015
	$	**$**
Other receivables	**54,047**	75,279
	54,047	75,279

Other receivables do not contain impaired assets.

Risk exposure
The group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

10 Non-current assets - Exploration and evaluation costs

	Consolidated	
Acquisition costs – Mount Bundy Gold Project	**2016** **$**	2015 $
Acquisition of Primary Minerals NL	**3,919,179**	3,919,179
Capitalised expenditure on acquisition	**8,987,278**	8,987,278
Total Acquisition costs	**12,906,457**	12,906,457
Exploration and evaluation costs		
Balance at beginning of year	**1,881,173**	1,432,441
Add - Exploration and evaluations costs capitalised	**633,578**	870,268
Less: - Adjustment to deferred payable	**(1,574,949)**	(421,536)
Total Exploration and evaluation costs at end of year	**939,802**	1,881,173
	13,846,259	14,787,630

The cost of the acquisition of Primary Minerals NL relates to the excess consideration paid over the identifiable net assets of Primary Minerals NL.

Note: The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively sale of the respective area.

The deferred payable due to Crocodile Gold Pty Ltd in relation to the purchase of the Toms Gully Project has been removed from the capitalised exploration and evaluation expenditure and has been reclassified as a contingent liability (refer Note 15 and Note 30).

The deferred payable amount has been reclassified as a contingent liability because the timing, probability and amount of the obligation:

1. depends on uncertain future events as the mining and production strategy will be subject to the results of the additional exploration work to be undertaken at Mount Bundy; and
2. cannot be measured with sufficient reliability as the royalty portion of the deferred consideration depends on the amount of gold produced which cannot be estimated until the results of the additional exploration work at Mount Bundy are known.

11 Non-current assets – Other assets

	Consolidated	
	2016 **$**	2015 $
Security deposit	**2,769,020**	2,769,020

As the company's wholly owned subsidiary, Primary Minerals NL, owns the Mount Bundy Gold project, the company was required to give the Northern Territory Minister for Mines and Energy bank guarantees to the value of $2,769,020 (2015: $2,769,020), to fulfil its environmental obligations. These guarantees are secured by a security deposit with the Commonwealth Bank of Australia to the equivalent value.

12 Non-current assets – Property, plant and equipment

	Consolidated	
	Furniture, fittings and equipment	**Total**
	$	**$**
Year ended 30 June 2015		
Opening net book amount	**1,818**	1,818
Additions	**449**	449
Disposals	**-**	-
Depreciation charge	**-**	-
Closing net book amount	**2,267**	2,267
At 30 June 2015		
Cost	**4,756**	4,756
Accumulated depreciation	**(2,489)**	(2,489)
Net book amount	**2,267**	2,267
Year ended 30 June 2016		
Opening net book amount	**2,267**	**2,267**
Additions	**-**	**-**
Disposals	[1] **-**	**-**
Depreciation charge	**(2,267)**	**(2,267)**
Closing net book amount	**-**	**-**
At 30 June 2016		
Cost	**2,489**	**4,756**
Accumulated depreciation	**(2,489)**	**(4,756)**
Net book amount	**-**	**-**

[1] Furniture, fittings and equipment with a cost of $2,267 was fully depreciated during the year and then written off.

13 Current liabilities – Trade and other payables

	Consolidated	
	2016	**2015**
	$	**$**
Trade payables	**146,610**	229,576
Other payables	**166,744**	499,512
	313,354	729,088

14 Current liabilities - Provisions

	Consolidated	
	2016	**2015**
	$	**$**
Provision for annual leave	**-**	20,833

15 Non-current liabilities - Provisions

	Consolidated	
	2016	**2015**
	$	**$**
Provision for rehabilitation	**2,769,020**	2,769,020
Deferred payables for acquisition of Mount Bundy Gold Project	**-**	1,574,949
	2,769,020	4,343,969

Provision for rehabilitation

The Company's 100% owned subsidiary, Primary Minerals NL, has an environmental bond obligation to the Northern Territory Government, arising from its ownership of the Mount Bundy Gold Project.

Deferred payables

In prior years, the deferred payables consisted of a royalty payment due to Crocodile Gold Pty Ltd relating to gold extracted from the acquired Mount Bundy Gold Project fair valued and deferred payments fair valued (2015: $1,574,949). For the year ended 30 June 2016, this deferred payable has been reclassified as a contingent liability (refer Note 30). The deferred payable non-current liability has been reversed against the Exploration and Evaluation Costs asset, and accordingly, has had no effect on the net assets of the Group.

The deferred payable amount has been reclassified as a contingent liability because the timing, probability and amount of the obligation:

1. depends on uncertain future events as the mining and production strategy will be subject to the results of the additional exploration work to be undertaken at Mount Bundy; and
2. cannot be measured with sufficient reliability as the royalty portion of the deferred consideration depends on the amount of gold produced which cannot be estimated until the results of the additional exploration work at Mount Bundy are known.

16 Contributed equity

	Consolidated			
	2016 Shares	**2015 Shares**	**2016 $**	**2015 $**
(a) Share capital				
Ordinary shares				
Fully paid	**451,806,981**	285,621,031	**33,707,140**	29,040,624

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue Price	$
1 July 2014	Balance as at 1 July 2014	**120,276,014**		**27,587,312**
18 February 2015	Private placement	**10,000,000**	**$0.01**	**100,000**
	Less: Transaction costs arising on placement			**(6,000)**
17 March 2015	Entitlements issue	**130,276,014**	**$0.01**	**1,302,760**
	Less: Transaction costs arising on share issue			**(143,166)**
	Consideration shares to Underwriters	**5,000,000**	**$0.01**	**50,000**
	Less: Transaction costs arising on share issue to underwriters			**(50,000)**
19 May 2015	Private placement	**8,041,402**	**$0.0100017**	**$80,428**
	Private placement	**12,027,601**	**$0.011**	**$132,304**
	Less: Transaction costs arising on placement			**(13,014)**
30 June 2015	Balance as at 30 June 2015	**285,621,031**		**29,040,624**
28 August 2015	Private placement	**20,290,000**	**$0.013**	**263,770**
4 January 2016	Exercise of options	**8,083**	**$0.100**	**808**
7 March 2016	Private placement	**45,887,867**	**$0.015**	**688,318**
9 June 2016	Private placement	**100,000,000**	**$0.040**	**4,000,000**
	Less: Transactions costs for the year			**(286,380)**
30 June 2016	Balance as at 30 June 2016	**451,806,981**		**33,707,140**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

16 Contributed equity *(continued)*

(d) Dividend reinvestment plan

The Group currently does not have a Dividend Reinvestment Plan in place.

(e) Options

Refer to Note 17(a) for details of the movement of options during the year.

Refer to the remuneration report for options issued to Directors during the year.

17 Reserves and accumulated losses

	Consolidated	
	2016	**2015**
	$	**$**
(a) Reserves		
Options	**5,160,979**	2,801,130
	5,160,979	2,801,130
Movements:		
Options		
Balance 1 July	**2,801,130**	2,536,356
Share based payments (Note 27)	**2,269,350**	264,774
Options vested during period	**90,499**	-
Balance 30 June	**5,160,979**	2,801,130

(b) Accumulated losses	**2016**	2015
	$	**$**
Movements in accumulated losses were as follows:		
Balance 1 July	**(17,632,980)**	(16,753,936)
Net loss for the year	**(3,157,511)**	(879,044)
Balance 30 June	**(20,790,491)**	(17,632,980)

(c) Nature and purpose of reserves

(i) Options

The options reserve recognises the grant date fair value of options issued to shareholders but not exercised.

18 Dividends

No dividends have been declared or paid during the year.

19 Key management personnel disclosures

(a) Key management personnel compensation	**Consolidated**	
	2016	2015
	$	$
Short-term employee benefits	**473,735**	546,000
Post-employment benefits	**108,659**	26,125
Share-based payments	**2,366,131**	264,774
	2,948,525	836,899

Detailed remuneration disclosures are provided in the Remuneration report on pages 12 to 20.

20 Remuneration of auditors

	Consolidated	
	2016	**2015**
	$	**$**
(a) PKF Mack		
Audit and other assurance services		
Audit and review of financial statements	**37,000**	33,500
Other services	**1,950**	2,140
Total remuneration for audit and other assurance services	**38,950**	35,640
Total auditor's remuneration	**38,950**	35,640

21 Related party transactions

(a) Parent entities

The ultimate parent entity and ultimate controlling party within the Group is Primary Gold Limited, which is based in Australia and its shares are listed on the Australian Securities Exchange.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report on pages 12 to 20.

(d) Transactions with related parties

All other related party transactions with directors are disclosed in the Remuneration Report on pages 12 to 20.

22 Business combination

(a) Summary of acquisition

There were no acquisitions in the year ending 30 June 2016 (2015 – nil acquisitions).

23 Subsidiaries

	Country of Incorporation	Class of shares	Equity holding 2016 %	Equity holding 2015 %
Parent Entity:				
Primary Gold Limited	Australia	Ordinary		
Subsidiaries of Primary Gold Limited:				
Primary Minerals NL	Australia	Ordinary	**100**	100

24 Events occurring after the reporting period

The following significant events have occurred since the end of the reporting period:

1. The Company commenced exploration programs over the 1500km^2 tenements covering the Mount Bundy Gold Project in the Northern Territory;
2. The Company executed a binding agreement with Ausdrill Limited for A$3.0M in drilling for equity programs. The agreement includes drilling over the Mount Bundy Gold Project in the Northern Territory and the newly acquired Coolgardie Gold Project in Western Australia; and
3. The Company and MacPhersons Resources Limited have entered a conditional Binding Heads of Agreement for the sale of the Coolgardie Gold Project. Under the Agreement, Primary Gold will purchase the Coolgardie Gold Project from MacPhersons for A$5m in cash via instalments over 12 months and 40 million ordinary Primary Gold shares which are subject to escrow. Completion of the sale of the Project and all final regulatory approvals is expected to occur by the end of October 2016.

25 Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2016	**2015**
	$	**$**
(a) Loss for the year	**(3,157,511)**	(879,044)
Non-Cash Items excluded from loss attributable to operating activities:		
Depreciation and amortisation	**2,267**	-
Share based payments	**2,359,849**	264,774
Tenements written off	**128,073**	-
Changes in operating assets and liabilities, net of effects from purchase and disposal of controlled entity:		
(Increase)/decrease in trade and other receivables	**21,232**	248,164
Increase/(decrease) in trade and other payables	**41,632**	(1,690)
Increase/(decrease) in loan & borrowings	**-**	(12,786)
Increase/(decrease) in provisions	**(20,833)**	2,885
Net cash (outflow) from operating activities	**(625,291)**	(377,697)

(b) Non cash financing activities.

There were no non cash financing activities during the year, During the year ended 30 June 2015, the Company issued 5 million ordinary shares at $0.01 each to the underwriters of the entitlements issue on 17 March 2015, in full and final satisfaction of the underwriter's fee of $50,000.

26 Loss per share

	Consolidated	
	2016	**2015**
	Cents	**Cents**
(a) Basic loss per share		
From continuing operations attributable to the ordinary equity holders of the company	**(0.98)**	(0.53)
Total basic loss per share attributable to the ordinary equity holders of the company	**(0.98)**	(0.53)
(b) Diluted loss per share		
From continuing operations attributable to the ordinary equity holders of the company	**(0.98)**	(0.53)

Options are considered anti-dilutive in nature.

(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2016	**2015**
	$	**$**
Basic loss per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share:		
From continuing operations	**(3,157,511)**	(879,044)
	(3,157,511)	(879,044)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share		
From continuing operations	**(3,157,511)**	(879,044)
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(3,157,511)**	(879,044)

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2016	**2015**
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**323,309,691**	165,116,780
Adjustments for calculation of diluted earnings per share:		
Options	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**323,309,691**	165,116,780

26 Loss per share *(continued)*

(e) Information concerning the classification of securities

Options have not been included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2016. These options could potentially dilute basic loss per share in the future.

27 Share based payments

(a) Consideration shares and options issued

The following options, which vested immediately, were issued to Directors during the year:

Option series	Grant date	No. of options	Fair value per option	Total fair value of options issued
Exercise price $0.04 expiring 7 March 2019	7 March 2016	30,000,000	$0.02325	$697,500
Exercise price $0.075 expiring 23 June 2019	23 June 2019	15,000,000	$0.05421	$813,150
Exercise price $0.10 expiring 23 June 2019	23 June 2019	15,000,000	$0.05058	$758,700
Total		60,000,000		$2,269,350

When the Company acquired its wholly owned subsidiary, Primary Minerals NL in 2013, it was required to issue unlisted options to the new Directors. The Company issued 20 million unlisted options with an exercise price of $0.20 each, expiring on 28 February 2017. The total value of these unlisted options is $1,573,910 and total share based payment for the period ended 30 June 2016 is $63,453 (2015: $247,958). In late 2014, the Company issued a further 10 million unlisted options with an exercise price of $0.031 each, expiring on 28 November 2018 to Directors. The total value of these unlisted options is $115,310 and total share based payment for the period ended 30 June 2016 is $27,046 (2015: $16,816). The full details of the performance conditions are set out in the Remuneration Report in the Directors Report.

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired and forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent entity – 2016								
28 Feb 2013	28 Feb 2017	$0.20	20,000,000	-	-	(7,333,334)	12,666,666	-
28 Nov 2014	28 Nov 2018	$0.031	10,000,000	-	-	(1,333,333)	8,666,667	-
7 Mar 2016	7 Mar 2019	$0.04	-	30,000,000	-	-	30,000,000	30,000,000
23 June 2016	23 June 2019	$0.075	-	15,000,000	-	-	15,000,000	15,000,000
23 June 2016	23 June 2019	$0.10	-	15,000,000	-	-	15,000,000	15,000,000
Total			30,000,000	60,000,000	-	(8,666,667)	81,333,333	60,000,000
Weighted average exercise price			$0.1436	$0.0638	N/A	$0.1740	$0.0815	$0.0638

27 Share based payments *(continued)*

Set out below are summaries of options granted under the plan in 2015:

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent entity – 2015								
28 Feb 2013	28 Feb 2017	$0.20	20,000,000	-	-	-	20,000,000	-
28 Nov 2014	28 Nov 2018	$0.031	-	10,000,000	-	-	10,000,000	-
Total			20,000,000	10,000,000	-	-	30,000,000	N/A
Weighted average exercise price			$0.20	$0.031	-	N/A	$0.1436	N/A

No options issued under the employee option plan were exercised during the year.

Expenses arising from share based payment transactions

Total expense arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2016	**2015**
	$	**$**
Options issued under employee option plan	**2,359,849**	264,774

30,000,000 unlisted options were issued to the new Directors on 7 March 2016 as part of their remuneration package. The options are exercisable at $0.04 and expiring on 7 March 2019. The estimate of the fair value of the options is measured based on a Black-Scholes option valuation methodology by applying the following inputs: (1)

15,000,000 unlisted options were issued to Directors on 23 June 2016 as part of their remuneration package. The options are exercisable at $0.075 and expiring on 23 June 2019. The estimate of the fair value of the options is measured based on a Black-Scholes option valuation methodology by applying the following inputs: (2)

15,000,000 unlisted options were issued to Directors on 23 June 2016 as part of their remuneration package. The options are exercisable at $0.10 and expiring on 23 June 2019. The estimate of the fair value of the options is measured based on a Black-Scholes option valuation methodology by applying the following inputs: (3)

	(1)	(2)	(3)
Exercise price	$0.04	$0.075	$0.10
Life of the options	3 years	3 years	3 years
Underlying share price	$0.035	$0.078	$0.078
Expected volatility	114%	115%	115%
Risk free interest rate	1.945%	1.705%	1.705%

28 Parent entity Information

The following details information related to the Parent entity, Primary Gold Limited, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in note 1.

	2016 $	2015 $
Current assets	**4,403,878**	1,664,674
Non-current assets	**14,108,784**	12,554,447
Total assets	**18,512,662**	14,219,121
Current liabilities	**147,685**	106,979
Non-current liabilities	**-**	-
Total liabilities	**147,685**	106,979
Contributed equity	**33,707,140**	29,040,625
Accumulated losses	**(20,503,142)**	(17,729,613)
Option reserve	**5,160,979**	2,801,130
Total equity	**18,364,977**	14,112,142
Loss for the year	**(2,773,529)**	(958,307)
Other comprehensive income / (loss) for the year	**-**	-
Total comprehensive (loss) for the year	**(2,773,529)**	(958,307)

Guarantees
The parent entity has an existing guarantee in relation to the debts of its subsidiary as shown in Note 29.

Contingent liabilities
The parent entity has contingent liabilities as shown in Note 30.

Contractual commitments
At 30 June 2016, the parent entity did not have any contractual commitments (2015: nil).

29 Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Primary Gold Limited
Primary Minerals NL

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

29 Deed of cross guarantee *(continued)*

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Primary Gold Limited, they also represent the 'Extended Closed Group'.

The Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position of the 'Closed Group', is that same as that of the Group.

30 Contingent liabilities

1. As part of the sale of the operating waterproofing business to FTS Holdings Limited (FTS), which was effective on 1 April 2012, it was agreed that FTS would acquire the China subsidiary Hydrotech China Limited (HCL) and arrange for the transfer of the company shares from the Company (formerly known as Hydrotech International Limited (HTI)) to FTS.

   Both FTS and HTI have been unable to arrange the transfer of ownership as this required the co-operation and assistance of the existing HCL staff who have illegally taken custody of all records including company stamps, accounting records/documents and bank books.

   HTI although the sole shareholder of HCL does not have an existing board representative on the HCL board. At the date of this report the Company has not been advised or is it aware of any outstanding liabilities to third parties, or has the Company received any government notices of demands that require action.

   The Company has fully written off its investment in HCL and is not aware of any actual or contingent liability that would require disclosure in the accounts.

2. In prior years, deferred payables in relation to a royalty payment due to Crocodile Gold Pty Ltd for gold extracted from the acquired Mount Bundy Gold Project fair valued and deferred payments fair valued (2015: $1,574,949) were disclosed as a non-current liability. For the year ended 30 June 2016, this liability has been reclassified as a contingent liability.

   From the commencement date, for each quarter in which any gold is produced and sold, removed or otherwise disposed of by or on behalf of the Company, it has agreed to pay Crocodile Gold Pty Ltd a royalty payment of $10 per ounce of gold up to 250,000 ounces. The Company's total liability for this royalty is capped at $2.5 million.

   In addition to this royalty, the Group has a contingent liability in relation to deferred consideration for the acquisition cost of the Mount Bundy Gold Project of $1,550,000.

31 Commitments

The Group must meet the following tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished, exemptions from expenditure are applied or are otherwise disposed of. These commitments are not provided for in the financial statements and are:

	2016	**2015**
	$	**$**
Not later than one year	**484,575**	657,419
After one year but less than five years	**1,864,800**	5,775,489
	2,349,375	6,432,908

The Directors are not aware of any other commitments that have not been recognised as liabilities in the accounts as of 30 June 2016 (2015 Nil).

In the opinion of the Directors of Primary Gold Limited:

(a) the Financial Statements and Notes set out on pages 24 to 58, and the Remuneration Report included in the Directors' Report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a);

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 30 to the financial statements; and

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Managing Director and Chief Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors

D C Rogers
Chairman

30 September 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

PRIMARY GOLD LIMITED

Report on the Financial Report

We have audited the accompanying consolidated financial report of Primary Gold Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated income statement, 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 company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PKF Mack
ABN 64 591 268 274

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PKF MACK
Accounting, Financial and Business Advisory

Opinion

In our opinion:

(a) the financial report of Primary Gold Limited is in accordance with the Corporations Act 2001, including:

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

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) to the financial report, which indicates that the consolidated entity incurred a net loss after tax of $(3,157,511) during the year ended 30 June 2016. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 20 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

PKF Mack

PKF MACK

SIMON FERMANIS
PARTNER

30 SEPTEMBER 2016
WEST PERTH
WESTERN AUSTRALIA