ABN 59 009 815 605

ESPERANCE MINERALS LIMITED
AND ITS CONTROLLED ENTITIES

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS
Alan Beasley (Non-Executive Chairman)
John Rawicki (Executive Director)
Sophia Zhang (Managing Director)

COMPANY SECRETARY
Barney Cheung

REGISTERED OFFICE
Level 7, 99 Macquarie Street
SYDNEY NSW 2000

Phone: +61 2 8226 3388
Fax: +61 2 9251 7285

SHARE REGISTRY
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Phone: +61 8 9315 2333
Fax: +61 8 9315 2233
Email: registrar@securitytransfer.com.au

PRINCIPAL PLACE OF BUSINESS
Level 7, 99 Macquarie Street
SYDNEY NSW 2000

SOLICITORS
HWL Ebsworth Lawyers

AUDITORS
RSM Australia Partners

BANKERS
Westpac Banking Corporation

WEBSITE
www.esperanceminerals.com

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CHAIRMAN'S LETTER

Dear Shareholder

During the year under review the Board has reviewed and evaluated potential opportunities both within and outside the mining exploration sector.

The Company announced to the market on 21 August 2015 it had entered into a heads of agreement with eDutyFree Pty Ltd ('eDutyfree') and commenced due diligence to acquire 51% of that business.

On 9 December 2015 the Company announced that the board of Esperance had considered the due diligence material for the proposed acquisition of shares in eDutyfree and formed the view that it does not represent an acquisition which is in the best interests of shareholders.

On 15 December 2015 the Company announced to the market it had entered into a non-binding heads of agreement for the proposed acquisition of 40% of the issued capital of Goyes Agri-Food Investment Ltd ('Goyes'). The proposed acquisition of Goyes was subject to satisfactory due diligence, acquisition of an Australian based agri-food business, approval by shareholders of the Company in a general meeting and the Company re-complying with chapters 1 and 2 of the ASX Listing Rules. The Goyes Heads of Agreement was terminated on 14 March 2015.

On 15 March 2016 the company completed a restructure of the Board, with the resignation of Mr Tony Ho and Ms Silvi Elkhouri, and the appointment of Mr John Rawicki and Mrs Sophia Zhang. On 15 July 2016 Mr Alan Beasley was appointed as Chairman of the Board.

The Company continues to intensively review suitable opportunities that the Board believes will create long-term shareholder value. Once a suitable Project is assessed as being viable for the Company over the long term, a detailed announcement outlining the Company's strategy and vision will be made to market.

I look forward to meeting with you all at the annual general meeting.

Yours faithfully,

Alan Beasley
Chairman

Dated at Sydney this 30th day of September 2016.

CORPORATE ACTIVITIES

The Company announced the raising of a total $503,249 during the year. 21,567,159 shares were issued at $0.01 per share on 4 May 2016 and 28,757,841 shares were issued at $0.01 per share on 25 July 2016.

CORPORATE GOVERNANCE STATEMENT

The Esperance Minerals Limited group ("Esperance"), through its Board and executives, recognises the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with Esperance. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

This statement outlines the main corporate governance practices of Esperance during the financial year against those requirements, which are captured now under the heading Corporate Governance Principles and Recommendations 3rd Edition, published in March 2014 by the ASX Corporate Governance Council. The third edition of the *Principles and Recommendations* take effect on or after 1 July 2014. This report is based on the new 3rd edition.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Corporate Governance Principles and Recommendations on how to achieve best practice for each principle are set out in a different format to that used previously, with a comment for each recommendation identifying whether Esperance's approach conformed to the principles. It should be noted that Esperance is currently a small cap listed company and that where its processes do not fit the model of the 8 principles, the Board believes that there are good reasons for the different approach being adopted.

Reporting against the 8 Principles, we advise as follows:

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 A listed entity should disclose:

(a) the respective roles and responsibilities of its board and management; and

(b) those matters expressly reserved to the board and those delegated to management.

The primary responsibilities of Esperance's board include:

- the establishment of long term goals of the company and strategic plans to achieve those goals;
- the review and adoption of the annual business plan for the financial performance of the company and monitoring the results on a monthly basis;
- the appointment of the Managing Director;
- ensuring that the company has implemented adequate systems of internal control together with appropriate monitoring of compliance activities; and
- the approval of the annual and half-yearly statutory accounts and reports.

The board meets on a regular basis, during the year, to review the performance of the company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled monthly board meetings, each board member is provided with a formal board package containing appropriate management and financial report.

The responsibilities of senior management including the Managing Director are contained in letters of appointment and job descriptions given to each appointee on appointment and updated at least annually or as required.

The primary responsibilities of senior management are:

(i) achieve Esperance's objectives as established by the Board from time to time;

(ii) operate the business within the cost budget set by the Board;

(iii) ensure that Esperance's appointees work with an appropriate Code of Conduct and Ethics; and

(iv) ensure that Esperance appointees are supported, developed and rewarded to the appropriate professional standards

1.2 A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Currently the company does not employ senior executives. The performance of the Executive Chairman and any Executive Director's is reviewed on an annual basis, by the board.

1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

A performance evaluation for each senior executive has taken place in the reporting period in line with the process disclosed.

1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary is accountable to the Board and performs all the tasks related to corporate governance. All the directors are able to communicate directly with the Company Secretary.

1.5 A listed entity should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.16

The Company is committed to diversity and recognises the benefits arising from employee and board diversity. A copy of the Company's diversity policy is available at the Company's website at www.esperanceminerals.com

The Company will annually monitor the progress and effectiveness of objectives developed in the policy. Given the size and nature of the Company's workforce the Company has chosen not to implement measurable objectives on which the Company will report.

1.6 A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board undertakes a self-evaluation covering the directors, the chairman and the committees once a year. The recommendations for improvement are discussed and implemented by the Board.

This performance evaluation was undertaken in the current year.

1.7 A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company procedures call for a performance evaluation of all senior management once a year and develops an annual plan for the following year as part of the process. As the Company had no senior management this year no performance evaluation was undertaken.

The Esperance Corporate Governance Charter is available on the Esperance web site, and includes sections that provide a board charter. The Esperance board reviews its charter when it considers changes are required.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Esperance operates in a market where it finds that it must regularly seek investor support to raise additional capital. As a consequence, Board members themselves often have a significant interest in the Company. During the major portion of the reporting period, the Esperance Board consisted of one non-executive director, and two Executive Directors/ Chairman. The non-executive Director consider himself as independent.

2.1 The board of a listed entity should:

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company does not have a formally constituted Nomination and Remuneration Committee due to the overall size of the Board.

The charter of the committee is available from the Company's web site at www.esperanceminerals.com and it has responsibility for nominating new directors to the Board.

2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Skills matrix developed and current directors assessed themselves against the matrix. A summary of this information has been included in the Directors' Report.

2.3 A listed entity should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

2.4 A majority of the board of a listed entity should be independent directors.

The Company presently has three directors, one of whom is considered independent. The Board believes that it has the right numbers and skills within its board members for the current size of the Company.

2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Alan Beasley was non-Executive Chairman for the year under review. Given his knowledge and experience the Board felt that having Mr Beasley as Chairman was the most appropriate option for the Company given its size and operations.

With the resignation of Tony Ho and Silvi Elkhouri in March 2016, two new Board members, John Rawicki and Sophia Zhang, were appointed. The Board members are in regular contact with each other as they deal with matters relating to Esperance's business. The board uses a personal evaluation process to review the performance of directors, and at appropriate times the Chairman takes the opportunity to discuss Board performance with individual directors and to give them his own personal assessment. The Chairman also welcomes advice from Directors relating to his own personal performance. The Remuneration & Nomination Committee determines whether any external advice or training is required. The Board believes that this approach is most appropriate for a company of the size and market cap of Esperance.

2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as director's effectively

The Company does not provide an induction for all new directors. Relevant courses offered by the Australian Institute of Company Directors are bought to the attention of the Board throughout the year to assist them to maintain their skills.

PRINCIPLE 3: ACT ETHICAL AND RESPONSIBLY

3.1 A listed entity should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

Esperance's policies contain a formal code of conduct that applies to all directors and employees, who are expected to maintain a high standard of conduct and work performance, and observe standards of equity and fairness in dealing with others. The detailed policies and procedures encapsulate the company's ethical standards. The Company is committed to being a socially responsible corporate citizen, using honest and fair business practices to achieve the best outcomes for shareholders.

A copy of the code is available from the Company's web site – www.esperanceminerals.com.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 The board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board, and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The company will formally appoint suitable members to the Audit, Corporate Governance and Risk Management committee in due course. The Company has not yet formed these committees due to the recent board restructure and is currently determining which board members are best suited for each role.

Currently, until the individual committees are formed, the Board members work in tandem to provide a forum for the effective communication between the board and external auditors. The Board members individually review:

- the annual and half-year financial reports and accounts prior to their approval by the board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of the external audit functions.

The board members meet with and receive regular reports from the external auditors concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

In conjunction with the auditors the Audit, Corporate Governance and Risk Management Committee monitors the term of the external audit engagement partner and ensures that the regulatory limit for such term is not exceeded. At the completion of the term, or earlier in some circumstances, the auditor nominates a replacement engagement partner. The Committee interviews the nominee to assess relevant prior experience, potential conflicts of interest and general suitability for the role. If the nominee is deemed suitable, the committee reports to the Board on its recommendation.

The Charter of the Committee is available from the Company's web site – www.esperanceminerals.com.

4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively

Before they approve the annual financial statements, the Board receives a declaration each year from the CEO and CFO that, in their opinion, the financial records of the Company have been properly maintained and the financial statements of the Company comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company's auditor attends each AGM and is available to answer questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

5.1 A listed entity should:

- *(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- *(b) disclose that policy or a summary of it*

The Esperance board and senior management are conscious of the ASX Listing Rule Continuous Disclosure requirements, which are supported by the law, and take steps to ensure compliance. The company has a policy, which can be summarised as follows:

- the Board, with appropriate advice, to determine whether an announcement is required under the Continuous Disclosure principles;
- all announcements be monitored by the Company Secretary; and
- all media comment to be handled by the Chairman.

At each meeting of the Board, consideration is given as to whether any item covered during the meeting impacts on its continuous disclosure requirements.

PRINCIPLE 6 RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 A listed entity should provide information about itself and its governance to investors via its website.

Esperance provides information to its shareholders through the formal communications processes (e.g. ASX releases, general meetings, annual report, and occasional shareholder letters). This material is also available on the Esperance website (www.esperanceminerals.com). The Company's web site provides all the relevant information on the Company and its operations that an investor would require. It includes all the policies adopted by the Company as well as copies of all the ASX market releases and the financial reports.

6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Investors can communicate with the Company through the web site, email or by calling the phone numbers listed on the Company's web site.

6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

All shareholders receive the Notice of Meeting and Explanatory Statement for the Company's Annual General Meeting. They are able to send in questions they would like addressed at the Meeting and also by attending the meeting will have the ability to talk to any of the resolutions and have their questions answered.

They will also have the opportunity to ask questions of management once the formal part of the meeting has been completed.

6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Shareholders can send communications to the Company via email and all emails will be responded to.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.The Company has established policies for the oversight and management of material business risks.

The Board is responsible for the oversight and management of all material business risks. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings. The Board monitors the risks and internal controls of Esperance through the Audit and Corporate Governance activities.

As part of the process, Esperance's management formally identifies and assesses the risks to the business, and these assessments are noted by the Audit Committee and the Board.

7.2 The board or a committee of the board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) *disclose, in relation to each reporting period, whether such a review has taken place.*

Management is accountable to the CEO and through him to the Board, to ensure that operating efficiency, effectiveness of the risk management procedures, internal compliance control systems and policies and that they are all being monitored. Management have designed and implemented a risk management and internal control system to manage the Company's material business risks and reports to the Board annually on the effective management of those risks.

7.3 A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Due to the size of the Company there is no internal audit function. The Board receives an annual report from Management reviewing the risk management procedures of the Company and is able to provide commentary on the report as well as identify any new risks that have emerged and not previously been recorded by the system.

7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The annual report from management covering risk management identifies these risks and how they are being managed and is subject to critical review by the Board.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Due to the recent board restructure Esperance has not yet established a Remuneration and Nomination committee. However, it is a priority for the current board and will be formally established in due course.

8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The remuneration details of non-executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report. There are no schemes for retirement benefits, other than statutory superannuation for non-executive directors.

8.3 A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

The remuneration details of non-executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report.

For a small company like Esperance (as measured by its market capitalisation) it is not appropriate to carry a statement on prohibiting transactions in associated products.

A copy of the Remuneration and Nomination committee charter is publicly available on the Esperance web site.

DIRECTORS' REPORT

The Directors of the consolidated entity (referred to hereinafter as the (**Group** or **consolidated entity**) consisting of Esperance Minerals Limited (**Esperance** or the **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2016 hereby submit the Directors' Report as part of the annual financial report. The Chairman's letter to Shareholders, the Corporate Governance Statement and the Review of Operations and Tenements all form part of the Directors' Report.

DIRECTORS

The Directors of the Group at any time during or since the end of the financial year are:

ALAN BEASLEY
Non-Executive Chairman

Mr. Beasley was appointed to the Esperance Board on 15 July 2016.

Mr. Beasley is a Certified Practising Accountant, (CPA) Fellow of the Governance Institute of Australia, (FGIA) and Fellow of the Australian Institute of Company Directors (FAICD). He graduated with a Bachelor of Economics, (UNE) and completed an Advanced Management Program in International Investment Management, from the Hoover Graduate Business School, Stanford University, USA. He has worked in the Investment Banking and Investment Management industries for over 30 years, with Bankers Trust Australia, Goldman Sachs, BNP Paribas.

He is a director and former director of several listed and unlisted public and private companies including two public charities. He is currently Managing Director of Hudson Investment Group Ltd (ASX: HGL) Hudson Pacific Group Ltd and AB Capital. He is a former Non-Executive Chairman of Admiralty Resources NL (ASX: ADY) Non-Executive Director of Asia Pacific Capital Securities Pty Ltd, and Biometric Advisers Pty Ltd.

JOHN RAWICKI
Executive Director

Mr Rawicki was appointed to the Esperance Board on 7 May 2015 and was not re-elected at the Annual General Meeting held 30 November 2015. On 14 March 2016 Mr Rawicki was again appointed to the Board.

John Rawicki has 10 years of stockbroking and corporate finance experience across the healthcare, resources and technology sectors. John is the Managing Director of BlueSky Shareholder Services, which provides investor relations and corporate advisory services to listed companies.

Mr. Rawicki holds a Bachelor of Commerce from the University of Sydney.

SOPHIA ZHANG
Managing Director

Ms. Zhang was appointed to the Esperance Board on 7 May 2015 and was not re-elected at the Annual General Meeting held 30 November 2015. On 14 March 2016 Ms Zhang was again appointed to the Board.

Ms Sophia Zi Ying Zhang has 20 years of international sales and marketing experience in healthcare. Ms Zhang currently runs a successful import/export business that markets and distributes Australian healthcare products, in particular Nature's Care and Toplife brands in China.

Ms. Zhang holds a Bachelor of Arts degree from Shen Zhen University of PRC

KRIS KNAUER
Executive Chairman
(resigned 13/8/15)

Mr. Knauer was appointed to the Esperance Board on 25 September 2009, was appointed Executive Chairman on 31 January 2010 and resigned as a Director and Chairman on 13 August 2015. He is currently on the board of Medibio (ASX: MEB).

Mr. Knauer has a B.SC (Hons) in Geology and spent 5 years working in the Mining Industry as a geologist.

VINCENT FAYAD
Non-Executive Director
(resigned 12/8/15)

Mr Fayad was appointed to the Esperance Board on 20 February 2013 and resigned on 12 August 2015.

Mr Fayad is currently a Director of PKF Corporate Finance Pty Ltd and has over 30 years of experience in Corporate Finance, accounting and other advisory related services.

ROBERT LEES
Non-Executive Director & Chairman (resigned 15/7/16)

Mr Lees was appointed to the Esperance Board on 12 August 2015 and resigned on 15 July 2016.

Mr Lees is member of Chartered Accountants Australia and New Zealand and the Governance Institute of Australia. He is a graduate of the UTS, holding a Bachelor of Business (Accounting) and a Graduate Diploma in Data Processing. In the last 14 years he has provided Company Secretarial services to small ASX listed companies. He is currently Company Secretary of four Listed Public Companies.

SILVI EL KHOURI
Non-Executive Director
(resigned 14/3/16)

Ms El Khouri was appointed to the Esperance Board on 14 August 2015 and resigned on 14 March 2016.

Ms. El Khouri has a Master of Business Administration and a Bachelor of Science.

ANTHONY (TONY) HO
Non-Executive Chairman
(resigned 14/3/16)

Mr Ho was appointed on 12 October 2015 and resigned on 14 March 2016.

Mr. Ho holds a bachelor of commerce degree from the UNSW and is a member of the ICA in Australia and New Zealand. He is a fellow of the Governance Institute of Australia and the Australian Institute of Company Directors.

SHAUN PALMER
Non-Executive Chairman
(resigned 11/7/16)

Mr Palmer was appointed on 20 April 2016 to assist with board reorganisation and resigned on 11 July 2016.

Mr. Palmer has over 20 years' experience as the Head of Human Resources for global Mining, Oilfield Services and Manufacturing companies. Most recently he was the Chief Human Resources Officer for Xstrata Coal and Iron Ore. He is currently a Principal/ Director of CtechBA, a Deep Technology Business Accelerator and Corporate Advisory firm; a Director of FRANS a Not for Profit business that supports people living with intellectual disabilities and is the Chairman of the Employee Mobility Institute Advisory Board, a body that advises and support businesses with international employee mobility.

COMPANY SECRETARY

Mr. Barney Cheung was appointed Company Secretary on 27 July 2016.

Mr. Cheung is a member of CPA Australia, CPA of Hong Kong Institute of Certified Public Accountants (HKICPA), holds a Bachelor of Commerce (Accountancy) from University of Wollongong, and a Postgraduate Diploma in Corporate Administration from Hong Kong Polytechnic University. He has thirty years' experience in accounting, auditing, business administration and corporate compliance. He has worked closely with Australian listed companies, involved in their daily operations, accounting, periodical reporting, announcement preparation and shareholder liaison.

Mr Robert Lees, an external consultant, was appointed Company Secretary & Chief Financial Officer on 7 January 2010 and retired on 27 July 2016. Refer to Directors details above for qualifications and experience.

DIRECTORS' MEETINGS

During the financial year, 12 meetings of directors were held. Attendance by each director was as follows:

	Board Meetings		Audit Committee		Remuneration Committee	
Director	Meetings attended	Meetings held whilst in office	Meetings held	Meetings held whilst in office	Meetings attended	Meetings held whilst in office
Mr Knauer	2	2	-	-	-	-
Mr Fayad	-	1	-	-	-	-
Mr Rawicki	11	11	2	2	-	-
Ms Zhang	11	11	2	2	-	-
Mr Lees	11	11	2	2	-	-
Ms El Khouri	6	6	1	1	-	-
Shaun Palmer	3	3	-	-	-	-
Alan Beasley	-	-	-	-	-	-
Anthony Ho	4	4	-	4	-	-

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each key management person of Esperance Minerals Limited. The *Corporations Act 2001* requires that this report be shown in the Directors' Report and that it be audited. Key management personnel have authority and responsibility for planning, directing, and controlling the activities of the Group. Key management personnel comprise the Directors of the Group. The Group does not have any other specified executives.

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Remuneration Committee obtains independent advice on the appropriateness of compensation packages of the Group given trends in comparable companies both locally and internationally.

OFFICERS' REMUNERATION (AUDITED)

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- total compensation for all Directors including Directors' fees, amounted to $210,143 (2015: $114,135);
- the maximum approved total Directors fees is $250,000, which was last voted upon at the 2008 AGM;
- Non-Executive Directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of committees; and
- termination benefits have been determined on a case-by-case basis and are not contractually defined.

On 7 January 2010, Coysec Services Pty Limited, a company associated with Mr Robert Lees entered into an agreement with the Company to provide company secretarial and Chief Financial Officer services on an hourly charge basis with the period of the agreement at the Directors' discretion.

The following table provides details of all the Directors and executives of the Group and the nature and amount of the elements of their remuneration for the year ended 30 June 2016.

2016	Short-term Employee Benefits				Post-employment Benefits	Other Long-term Benefits	Termination Benefits	Share Based Payment	Total
	Cash, salary, Directors Fees	**Cash profit share, bonuses**	**Non-cash benefits**	**Allowance**	**Super-annuation**				
	$	$	$	$	$	$	$	$	$
Mr Knauer	4,340	-	-	-	-	-	-	-	4,340
Mr Fayad	4,160	-	-	-	-	-	-	-	4,160
Mr Khouri	36,000	-	-	-	-	-	-	-	36,000
Mr Rawicki	28,000	-	-	-	-	-	-	-	28,000
Ms Zhang	39,000	-	-	-	-	-	-	-	39,000
Mr Lees	10,840	-	-	-	-	-	-	-	10,840
Ms El Khouri	48,145	-	-	-	-	-	-	-	48,145
Mr Ho	32,658	-	-	-	-	-	-	-	32,658
Mr Palmer	7,000	-	-	-	-	-	-	-	7,000
	210,143	-	-	-	-	-	-	-	210,143

* Mr. Fayad resigned on 12 August 2015
** Mr Knauer resigned on 13 August 2015
*** Ms El Khouri was appointed on 14 August 2015 and resigned on 14 March 2016
**** Mr Lees was appointed on 12 August 2015 and resigned on 15 July 2016
***** Mr. Ho was appointed on 12 October 2015 and resigned on 14 March 2016
****** Mr Palmer was appointed on 20 April 2016 and resigned on 11 July 2016
******* Mr Rawicki and Ms Zhang were appointed 7 May 2015, were not re-elected at the Annual General Meeting held 30 November 2015 and were subsequently reappointed on 14 March 2016.

OFFICERS' REMUNERATION (CONT'D) (AUDITED)

2015	Short-term Employee Benefits				Post-employment Benefits	Other Long-term Benefits	Termination Benefits	Share Based Payment	Total
	Cash, salary, Directors Fees	Cash profit share, bonuses	Non-cash benefits	Allowance	Super-annuation				
	$	$	$	$	$	$	$	$	$
Mr Knauer	36,000	-	-	-	-	-	-	-	36,000
Mr Fayad	30,000	-	-	-	-	-	-	-	30,000
Mr Khouri	33,000	-	-	-	3,135	-	-	-	36,135
Mr Rawicki	6,000	-	-	-	-	-	-	-	6,000
Ms Zhang	6,000	-	-	-	-	-	-	-	6,000
	111,000	-	-	-	3,135	-	-	-	114,135

* Mr Khouri resigned on 7 May 2015
** Mr Rawicki and Ms Zhang were appointed 7 May 2015

The remuneration policy of the Group has been designed to remunerate the Directors based upon their skills and contributions to the Group. No performance based remuneration has been granted. No options over share capital have been granted to key management personnel.

Additional Disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Reveived as part of remuneration	Additions	Disposals/ Other	Balance at the end of the year
Mr Knauer	10,776,959	-	7,500,000	5,196,959	13,080,000
Mr Fayad	-	-	-	-	-
Mr Khouri	-	-	-	-	-
Mr Rawicki	-	-	-	-	-
Ms Zhang	15,000,000	-	100,000	-	15,000,000
Mr Lees	500,000	-	-	500,000	-
Ms El Khouri	-	-	-	-	-
Mr Ho	-	-	-	-	-
Mr Palmer	-	-	-	-	-
	26,276,959	-	7,600,000	5,696,959	28,080,000

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2016.

	30 June 2016 $	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $
Revenue	3,615	1,056	2,079	33,571	39,705
Loss before tax	(1,213,901)	(1,398,231)	(562,541)	(1,715,692)	960,932
Loss after tax	(1,213,901)	(1,398,231)	(562,541)	(1,715,692)	960,932
	30 June 2016	**30 June 2015**	**30 June 2014**	**30 June 2013**	**30 June 2012**
Share price start of year	3.3 cents	2 cents	2.9 cents	3 cents	6 cents
Share price end of year	1.1 cents	3.3 cents	2 cents	2.9 cents	3 cents
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic (loss) / profit per share (cents)	(0.96)	(1.60)	(0.67)	(2.04)	1.14
Diluted (loss) / profit per share (cents)	(0.96)	(1.44)	(0.67)	(2.04)	1.14

PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the year was mineral exploration primarily in the Kimberly Region Western Australia. This tenement lease expired in March 2015 and was not renewed. The Company also reviewed other potential acquisitions, but did not proceed. Further details of these activities can be found in the Review of Operations and Tenements section.

RESULT AND REVIEW OF OPERATIONS

The consolidated loss after income tax for the year was $1,213,901 (2015: loss $1,398,231).

During the year the Group discontinued its mineral exploration activities in the Kimberley Region Western Australia and allowed the tenement to lapse.

Key aspects of the consolidated financial result were as follows:

- capitalised exploration costs of $804,750 relating to the lapsed Kimberley tenements were written off;
- New equity of $400,000 was raised by the issue of 20,000,000 shares at $0.02 per share and a further $200,000 of equity was issued on conversion of $100,000 Series A and $100,000 Series B Convertible Notes. These notes were converted at $0.02 resulting in the issue of a further 10,000,000 shares and 10,000,000 options expiring 31 August 2018 with an exercise price of $0.10 per share.
- A further $540,000 was raised to be issued as Series C convertible notes. The terms of Series C convertible notes are subject to shareholders approval at future shareholder meeting.

  The key terms of the Converting Notes are as follows:

  - each Note has a face value of $100,000.
  - Conversion price is 2 cents per ordinary share
  - for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per share
  - the Notes will accrue interest at a rate of 8% per annum.
  - the Notes will mandatorily convert into new shares upon the earlier of the conversion of the Notes being approved by shareholders or the Company having sufficient capacity to convert the Notes under Listing Rule 7.1 or 7.1A
  - the Notes are unsecured.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company has been investigating new business opportunities both within and outside the mining exploration sector. On 21 August 2015 announced that it had entered into a Share purchase agreement to acquire 51% of eDutyFree Pty Ltd – an eCommerce platform and distributor of Australian health, beauty and baby care products. This transaction was terminated on 9 December 2015.

On 15 December 2015 the Company announced to the market it had entered into a non-binding heads of agreement for the proposed acquisition of 40% of the issued capital of Goyes Agri-Food Investment Ltd ('Goyes'). The proposed acquisition of Goyes was subject to satisfactory due diligence, acquisition of an Australian based agri-food business, approval by shareholders of the Company in a general meeting and the Company re-complying with chapters 1 and 2 of the ASX Listing Rules. The Goyes Heads of Agreement was terminated on 14 March 2015.

In the opinion of the Directors, other than the transactions described above, there were no significant changes in the state of affairs of the Company since the end of financial year under review.

ENVIRONMENTAL REGULATIONS

Not applicable.

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year to the date of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the Directors, there have been no events subsequent to year end which would have a material effect on the Group's financial statements at 30 June 2016.

The shares of the Company were suspended from quotation under listing rule 17.3 on 28 September 2016, until the Company recomplies with Chapter 12 of the ASX Listing Rules.

LIKELY FUTURE DEVELOPMENTS

The Company remains focused on re-vitalising itself by diversifying its exploration activities into prospective mineral tenements with the aim of providing better and earlier benefits for shareholders.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares of the Company as notified by the Directors to the Australian Securities Exchange in accordance with s.205G(1) of the *Corporations Act* 2001 at the date of this report is as follows:

	ORDINARY SHARES FULLY PAID
Mr Knauer[1]	11,048,044
Mr Fayad	nil
Mr Rawicki	nil
Ms Zhang[2]	15,000,000
Mr Lees[3]	500,000

Ms ElKhouri	nil

[1] Relevant interests held in shares registered in the name of Moneybung Pty Limited atf <Moneybung Family Trust> of which Kris Knauer is a beneficiary, and Pitt Street Absolute Return Fund Pty Ltd of which Mr Knauer is a Director and beneficiary.

[2] Relevant interests held in shares registered in the name of SJL Management Pty Limited aft <Zhang Family Trust> of which Ms Zhang is a beneficiary.

[3] Relevant interests held in shares registered in the name of CoySec Services Pty Limited of which Mr Lees is a Director and beneficiary.

No Director has a margin loan on any of the above shares.

OPTIONS

There are 38,741,384 options (expiring 31 August 2018 and exercisable at 10 cents) over the Company's shares issued in 2016 as the result of conversion of convertible notes during the year, and 1,000,000 options (expiring 1 March 2017 and exercisable at 10 cents) issued in 2015 as vendor consideration for the option to acquire the eDutyfree.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

During the year there were no non-audit services provided by RSM Australia Partner.

ROUNDING OF AMOUNTS

The company 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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 23 and forms part of the directors' report for the financial year ended 30 June 2016.

AUDITOR

RSM continues in office in accordance with section 327 of the *Corporations Act 2001*. This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

Signed in accordance with a resolution of the Board

Alan Beasley
Non-executive Chairman

Dated at Sydney this 30th day of September 2016

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Esperance Minerals Pty Ltd. for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

C J Hume
Partner

Sydney, NSW
Dated: 30 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the Year Ended 30 June 2016

	Note	2016 $	2015 $
Financial income	**2**	3,615	1,056
OTHER INCOME			
Administration expenses		(41,354)	(14,909)
Overseas Travelling		(131,628)	-
Compliance and regulatory expenses		(64,869)	(63,397)
Professional fees		(611,485)	(199,306)
Directors fees and benefits		(204,143)	(114,135)
Finance costs		(114,037)	(205,288)
Exploration expenditure		-	(2,498)
Loan write-off		(50,000)	-
Exploration costs written off	**6**	-	(804,750)
LOSS BEFORE INCOME TAX		(1,213,901)	(1,398,231)
Income tax	**3**	-	-
LOSS FOR THE YEAR		(1,213,901)	(1,398,231)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,213,901)	(1,398,231)
Basic and diluted (loss) / earnings per share	**5**	(0.96) cents	(1.60) cents

The consolidated statement of profit and loss and other comprehensive income is to be read in conjunction with the attached notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	**14(b)**	240,275	770,964
Accounts Receivable		33,707	-
TOTAL CURRENT ASSETS		273,982	770,964
NON-CURRENT ASSETS			
Intangible assets – Exploration and evaluation expenditure	**6**	-	-
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		273,982	770,964
CURRENT LIABILITIES			
Trade and other payables	**7**	390,416	266,879
Shares application received		287,577	-
Borrowings	**8**	840,000	1,148,266
TOTAL CURRENT LIABILITIES		1,517,993	1,415,145
TOTAL LIABILITIES		1,517,993	1,415,145
NET ASSETS		(1,244,011)	(644,181)
EQUITY			
Issued capital	**9**	11,509,769	10,763,083
Reserves	**20**	117,907	250,522
Accumulated losses		(12,871,693)	(11,657,792)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(1,244,017)	(644,187)
Non-controlling interest		6	6
TOTAL EQUITY		(1,244,011)	(644,181)

The consolidated statement of financial position should be read in conjunction with the attached notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended 30 June 2016

	Note	Issued Capital $	Reserve $	Accumulated Losses $	Non-controlling interest $	Total Equity $
BALANCE AT 30 JUNE 2014		**10,163,083**	**155,275**	**(10,259,561)**	**6**	**58,803**
Net loss for the year		-	-	(1,398,231)	-	(1,398,231)
Total comprehensive loss for the year		-	-	(1,398,231)	-	(1,398,231)
Issue of shares during this year	8	400,000				400,000
Conversion of convertible notes	8	200,000				200,000
Equity portion of convertible notes		-	95,247	-	-	95,247
BALANCE AT 30 JUNE 2015		**10,763,083**	**250,522**	**(11,657,792)**	**6**	**(644,181)**
Net loss for the year		-	-	(1,213,901)	-	(1,213,901)
Total comprehensive loss for the year		-	-	(1,213,901)	-	(1,213,901)
Issue of shares during this year		265,671				265,671
Conversion of convertible notes	20	481,015	(132,615)			348,400
BALANCE AT 30 JUNE 2016		**11,509,769**	**117,907**	**(12,871,693)**	**6**	**(1,244,011)**

The consolidated statement of changes in equity is to be read in conjunction with the attached notes to the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended 30 June 2016

	Note	2016 $		2015 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers and employees		(1,037,553)		(332,991)
Interest received		3,615		1,056
NET CASH USED IN OPERATING ACTIVITIES	**14(a)**	(1,033,938)		(331,935)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for exploration expenditure		-		-
NET CASH USED IN INVESTING ACTIVITIES		-		-
NET CASH PROVIDED BY FINANCING ACTIVITIES				
Issue of Shares		503,249		400,000
Proceeds from Borrowings		-		540,000
Issue of Convertible Notes		-		145,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		503,249		1,085,000
Net increase/(decrease) in cash held		(530,689)		753,065
Cash at the beginning of the financial year		770,964		17,899
CASH AT THE END OF THE FINANCIAL YEAR	**14(b)**	240,275	5	770,964

The consolidated statement of cash flows is to be read in conjunction with the attached notes to the financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Esperance Minerals Limited (**Esperance** or the **Company**) is a company domiciled in Australia. The financial statements of Esperance and its controlled entities (the **Group**) are for the year ended 30 June 2016.

The Company is a for-profit entity.

The financial statements were approved by the Board of Directors on 30 September 2016.

BASIS OF PREPARATION

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements comply with International Financial Reporting Standards ('IFRS'). Material accounting policies adopted in the preparation of those financial statements are presented below. They have been consistently applied unless otherwise stated. The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of certain non-current assets, financial assets, and financial liabilities. The financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

(A) GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The consolidated entity's statement of profit or loss and other comprehensive income for the year ended 30 June 2016 reflected a net loss of $1,213,901 and net current liabilities and a deficiency of net assets of $1,244,011 at that date. The consolidated entity's consolidated statement of cash flows for the year ended 30 June 2016 reflected net cash used in operating activities of $1,033,958. Further, the consolidated entity was suspended from quotation under ASX listing rule 17.3 on 28 September 2016 and will continue to remain suspended until the consolidated entity is able tom demonstrate compliance with Chapter 12 of the ASX listing rules.

The Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report after consideration of the following factors:

- The directors are working closely with the ASX to have the consolidated entity relisted;
- On 30 September 2013, the consolidated entity announced that it had arranged a facility to borrow $570,000 from certain shareholders of the consolidated entity through convertible loan agreements ("Loan Agreements"), the terms of which are set out in Note 8. On 30 April 2014 shareholders approved the ability of the convertible note holders to convert the notes into ordinary shares. At 30 June 2015 the consolidated entity had drawn down $470,000 pursuant to the Loan Agreements. The balance of $100,000 remains undrawn (refer to Note 8 – Trade and other payables for the terms of loan agreements and Note 19 - Events Subsequent to Balance Date);
- The consolidated entity has cash on hand of $240,275 as at 30 June 2016;
- The repayment terms of $200,000 of the $840,000 borrowing (note 8) has been extended an additional 12 months from 31 August 2016 to 31 August 2017;
- The directors are confident that a significant portion of the $1,000,000 rights issue has been committed and the funds will be received in the coming weeks;
- The Directors of Esperance Minerals Limited are confident that the consolidated entity will be able to raise additional funds under the Loan Agreements; and;
- The ability of the consolidated entity to continue to raise further capital to meet expenditure requirements.

However, should the consolidated entity be unsuccessful in the above, there is a material uncertainty which may cast significant doubt as to whether the consolidated entity would be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of the acquisition and up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenditure are eliminated in full on consolidation.

Non-controlling interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Profit and Loss and Other Comprehensive Income.

(C) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current tax liabilities/ (assets) are therefore measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense is charged or credited to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available, against which the benefits of the deferred tax asset can be utilised.

(D) EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as an intangible exploration and evaluation asset. When a licence is relinquished or a project abandoned, the related costs are recognised in the profit or loss immediately.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units consistent with the determination of reportable segments.

Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets.

(D) EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

Amortisation is not charged on exploration and evaluation assets until they are available for use.

Pre-licence costs are recognised in profit or loss as incurred. Expenditure deemed unsuccessful is recognised in profit or loss immediately.

(E) FINANCIAL INSTRUMENTS

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

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

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract are discharged, cancelled or expire.

Classification and Subsequent Measurement

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

ii) Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

(F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(G) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(H) REVENUE AND OTHER INCOME

Financial Income comprises interest income. Interest income is recognised in profit or loss as it accrues, using the effective interest rate method.

Other income is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(I) IMPAIRMENT

The carrying amount of non-financial assets other than exploration and evaluation assets are reviewed each reporting date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

(J) GOODS AND SERVICES TAX (GST)

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

(K) PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 13.

(L) 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 classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 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 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

(M) TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any 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 uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity 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 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carryingamount 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.

Other receivables are recognised at amortised cost, less any provision for impairment.

(N) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(O) BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(P) FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(Q) ROUNDING OF AMOUNTS

The company 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.

(R) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of any dilutive potential ordinary shares, which comprise convertible notes and share options.

(S) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Recovery of Capitalised Exploration and Evaluation Expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related site itself, or if not, whether it successfully recovers the related exploration and evaluation asset through sale.

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

Deferred Tax Assets not brought to Account

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

(T) APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

Standards and Interpretations affecting the reported results or financial position

There are no new, revised or amending Standards and Interpretations adopted in these financial statements affecting the reported results or financial position.

(U) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

Standards and Interpretations in issue not yet adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Standard Name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6	1 January 2018	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released.
AASB 16 Leases	1 January 2019	The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases.	The impact of AASB 16 has not yet been determined as the entire standard has not been released.

2. INCOME

	2016 $	2015 $
FINANCIAL INCOME		
Interest income – other sources	3,615	1,056

3. INCOME TAX

	2016 $	2015 $
(a) Loss before tax	(1,213,901)	(1,398,231)
Prima facie tax (credit) / expense on loss before income tax using corporate rate of 30% (2015: 30%)	(364,170)	(419,469)
Difference from income tax expense due to:		
Current year losses not brought to account	364,170	419,469
Income tax attributable to consolidated entity	-	-
(b) Balance of franking account at year end	-	-

4. DEFERRED TAX ASSETS AND LIABILITIES

	2016 $	2015 $
Deferred tax assets – not recognised		
Deferred tax assets arising from tax losses not recognised calculated at 30%:		
Tax losses - Revenue	3,204,641	2,840,471
Capital losses	554,292	554,292
	3,758,933	3,394,763

5. EARNINGS PER SHARE

The calculation of basic earnings and diluted earnings per share at 30 June 2016 was based on the loss attributable to ordinary shareholders of $1,213,901 (*2015:* $1,327,555) and the weighted average number of ordinary shares outstanding during the financial year ended 30 June 2016 of 125,465,482 (*2015:* 87,124,502), calculated as follows:

	2016 Cents	2015 Cents
Basic and diluted (loss) / earnings per share	(0.97)	(1.60)
Weighted average number of ordinary shares:		
Fully paid ordinary shares used in calculation of basic and diluted (loss) / earnings per share	125,465,482	87,124,502

131,265,000 options were not included in earnings per share because they were anti-dilutive.

6. INTANGIBLE EXPLORATION AND EVALUATION EXPENDITURE

	2016 $	2015 $
Exploration and evaluation phase costs carried forward at cost:	-	-
Movements in Carrying Amounts		
Carrying amount at beginning of year	-	795,518
Additions	-	9,232
Exploration costs written off (a)	-	(804,750)
Carrying amount at end of year	-	-

Exploration and Evaluation Phase Costs

(a) Exploration expenditure written-off at 30 June 2015 represents the Group's interest in the Kununurra exploration tenement which lapsed on 31 March 2015.

7. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Current		
Other creditors and accruals (i)	390,416	266,879
	390,416	266,879

(i) The average credit period is 45 days (2015: 45 days). No interest is charged on overdue payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit terms.

8. BORROWINGS

	2016 $	2015 $
Current		
Series A Convertible Notes	230,000	330,000
Series B Convertible Notes	370,000	470,000
Movement in Equity component of Convertible Notes	-	8,266
Less: Converted to Equity	(300,000)	(200,000)
Series C Convertible Notes (Subject to shareholder approval)	540,000	540,000
	840,000	1,148,266

During the 2014 year the Company issued the following convertible notes:

- Series A – being notes in connection with the payment of certain due diligence costs associated with the Brazilian project with a face value of $330,000; and
- Series B – being notes in connection with the ongoing funding of the Company with a face value $570,000.

Both notes (the combines notes referred to as "**Notes**") involve various shareholders, including a company that is associated with the former Chairman, Mr Kris Knauer.

As at 30 June 2015, the Series B note has been drawn to $470,000 and $100,000 remains undrawn.

The key terms of the Notes are as follows:

- conversion price of the lesser of 5 cents per ordinary share, or the 5 day volume weighted average price ("**VWAP**") of the Company's ordinary shares on the ASX immediately prior to the issue of a conversion notice by the Noteholder to the Company;
- the Notes cannot be converted until after 31 August 2014 and then at any time up to the Maturity Date of 31 August 2015;
- for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per Company share (**Options**);
- the Notes will accrue interest at a rate of 8% per annum; and
- the Notes are unsecured.

The funds raised from the Series B note has been used for current working capital and the evaluation of potential new projects for the company.

The shareholders not associated with the Series A and B Notes approved the terms of their conversion on the 30 April 2014.

On March 29 2016, $110,000 of the Series A Note and $190,000 of the Series B Note and $48,400 of accrued convertible note interest was converted at the 5 day VWAP of $0.01212189 per share, resulting in the issue of 28,741,384 ordinary shares and 28,741,384 options (10c strike, 31/8/2018 expiry).

On 7 May 2015 the Company announced that it has raised $540,000 to be subscribed for a Series C convertible notes. The term of the notes subject to shareholder approval in future shareholder meeting. Its' terms will be:

- conversion price of the lessor of 2 cents per ordinary share, or the 5 day volume weighted average price ("**VWAP**") of the Company's ordinary shares on the ASX immediately prior to the issue of a conversion notice by the Noteholder to the Company;
- for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per Company share (**Options**);
- the Notes will accrue interest at a rate of 8% per annum;
- the Notes are unsecured; and
- the issue of the Series C Convertible Notes requires Shareholder approval which will be sought the upcoming Annual General Meeting.

The approval of issuing has been obtained in the Extraordinary General Meeting from shareholders on 20 July 2016.

issued capital

	2016 $	2015 $
165,348,222 (2015: 114,039,679) Fully paid ordinary shares:	11,377,154	10,763,083

	2016 $	2015 $	2016 No.	2015 No.
(a) Movement in fully paid ordinary shares				
Opening balance	10,763,083	10,163,083	114,039,679	84,039,679
Movement during the year (iii)	614,071	600,000	51,308,543	30,000,000
Closing balance	11,377,154	10,763,083	165,348,222	114,039,679

(b) Terms of Issue:

(i) Fully paid ordinary shares

Ordinary shares participate in dividends and are entitled to one vote per share at shareholders meetings. In the event of winding up the company, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation in proportion to the number of shares held.

(ii) Options

There are 38,741,384 options (exercisable at 10 cents) over the Company's shares that expiring on 31 August 2018, and 1,000,000 options (exercisable at 10 cents and expiring 1 March 2017). Unless converted to ordinary shares, the options do not participate in dividends. Options are not entitled to one vote at shareholders meetings. In the event of winding up the company, option holders are not entitled to any proceeds of liquidation.

(iii) Includes $300,000 (28,741,384 shares) of convertible notes converted to equity (Refer to note 8).

9. SEGMENT INFORMATION

The Group operates in a single segment being mining and exploration activities in Australia.

10. FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks and trade and other payables. The Group does not use derivative financial instruments to hedge exposure to financial risks.

(i) Treasury Risk Management

There have been no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

(ii) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. Refer to Note 1(A) regarding the Company and the Group's ability to continue as going concerns.

(iii) Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

12. FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk

The Group does not enter into interest rate swaps, forward rate agreements, or interest rate options to manage cash flow risks associated with interest rates on borrowings that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Refer to Note 1(A) regarding the Company and the Group's ability to continue as going concerns.

The tables that follow reflect an undiscounted contractual maturity analysis for financial assets and liabilities.

Cash flows from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will roll forward.

	Within 1 year		**1 to 5 years**		**Over 5 years**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial liabilities – due for payment:								
Trade and other payables	390,416	266,878	-	-	-	-	390,416	266,878
Borrowings	840,000	1,148,266	-	-	-	-	840,000	1,148,266
	1,230,416	1,415,145	-	-	-	-	1,230,416	1,415,145
Financial assets – cash flows realisable								
Cash and cash equivalents	240,275	770,964	-	-	-	-	240,275	770,964
Accounts Receivable	33,707	-					33,707	-
	273,982	770,964	-	-	-	-	273,982	770,964

As described in Note 18 the Company has commitments for further cash expenditure not included above in relation to mining tenements.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. There is negligible credit risk on financial assets, excluding investments, since there is no exposure to individual customers or countries and the Group's exposure is limited to the amount of cash, short-term investments and receivables which have been recognised in the statement of financial position.

Price risk

Although the Group does not currently hold any mining leases, should it enter into any agreements for mining leases the Group will be exposed to commodity price risk. Changes in market price for commodities impact the economic viability of the mining leases. The Group has not entered into any hedges in relation to these commodities. It is not possible to quantify the effect on profit or equity of any change in commodity prices.

13. PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the Parent Entity.

	2016	2015
Financial position	**$**	**$**
Assets		
Current assets	287,762	770,944
Non-current assets	14	14
Total assets	287,776	770,958
Liabilities		
Current liabilities	1,517,993	1,415,145
Total liabilities	1,517,993	1,415,145
Equity		
Issued capital	11,509,769	10,763,083
Reserves	117,907	250,522
Accumulated losses	(12,857,894)	(11,657,792)
Total equity	(1,230,217)	(644,187)
Financial performance		
Loss for the year	(1,200,102)	(1,398,231)
Other comprehensive income	-	-
Total comprehensive loss	(1,200,102)	(1,398,231)

Contingent liabilities

See note 18 for details of contingent liabilities of the Parent Entity.

14. CASH FLOW INFORMATION

	2016 $	2015 $
(a) Reconciliation of cash flows from operations with loss after income tax		
Loss after income tax	(1,213,901)	(1,398,231)
Non cash flows in operating activities:		
Exploration costs written off	-	804,750
Non-cash operating expenses	50,000	-
Equity component on convertible notes	40,113	141,890
Changes in assets and liabilities:		
• Increase /(Decrease) in payables	123,537	119,656
• (Increase) /Decrease in receivables	(33,707)	-
Net Cash Used in Operating Activities	(1,033,958)	(331,935)
(b) Reconciliation of cash and cash equivalents		
Cash at bank	240,275	770,964
(c) Credit Standby Arrangements with Banks		
Overdraft facility limit	25,000	25,000
Amount utilised	-	-
	25,000	25,000

15. RELATED PARTY TRANSACTIONS

KEY MANAGEMENT PERSONNEL COMPENSATION IS AS FOLLOWS:

	2016 $	2015 $
Short-term employee benefits	204,143	111,000
Post-employment benefits	-	3,135
	204,143	114,135

Information regarding individual Directors' compensation is provided in the remuneration report section of the Directors' report.

There were no other material contracts involving Directors' interests existing at year end.

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS:

There were no transactions with other key management personnel.

MOVEMENT IN SHARES

The movement during the reporting period in the number of ordinary shares in Esperance Minerals held directly, indirectly, or beneficially, by each key management person, including their related parties, is as follows:

Director	Held at 30 June 2014	Purchases	Sales	Other	Held at 30 June 2015	Purchases	Sales	Other	Held at 30 June 2016
Fully Paid Ordinary Shares									
Mr Knauer	11,048,044[1]	-	-	-	11,048,044[1]	-	-	-	11,048,044[1]
Mr Fayad	-	-	-	-	-	-	-	-	-
Mr Rawicki	-	-	-	-	-	-	-	-	-
Ms Zhang[4]	-	-	-	15,000,000[2]	15,000,000[2]	-	-	-	15,000,000[2]
Mr Lees	-	-	-	-	-	-	-	-	-
Mr Ho	-	-	-	-	-	-	-	-	-
Mr Khouri	1,000,000	-	-	(1,000,000)	-	-	-	-	-
Mr Palmer	-	-	-	-	-	-	-	-	-
Mr Beasley	-	-	-	-	-	-	-	-	-

1 Relevant interests held in shares registered in the name of Moneybung Pty Limited atf <Moneybung Family Trust> of which Kris Knauer is a beneficiary and Pitt Street Absolute Return Pty Ltd of which Kris Knauer is a Director and beneficiary.

2 Relevant interests held in shares registered in the name of SJL Management Pty Limited atf <Zhang Family Trust> of which Sophia Zhang is a beneficiary

No Director has a margin loan on any of the above shares.

TRANSACTIONS WITH RELATED PARTIES

For the year ended 30 June 2016, $39,000 in directors fees for Sophia Zhang was paid to Crowdfunding Asset Management Group Pty Ltd, a company owned and controlled by Sophia Zhang.

16. SUBSIDIARIES

Subsidiary	Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Dingo Resources Pty Limited	Australia	70	70
Yampi Sound Pty Limited	Australia	70	70

Under the terms of the shareholders agreement with the outside equity shareholder in Dingo Resources Pty Limited and Yampi Sound Pty Limited, the Company is responsible for all funding of the exploration and mining costs. Accordingly, there is no allocation of the loss to the outside equity holders.

17. AUDITORS' REMUNERATION

	2016 $	2015 $
Auditing and reviewing financial reports – RSM Australia Partners	29,700	35,091

For the year ended 30 June 2016 the auditor appointed are RSM Australia Partners.

18. COMMITMENTS AND CONTINGENCIES

As at 30 June 2016 there are no contingencies that affect the company and consolidated entity.

Capital expenditure commitments of the company and consolidated entity as at 30 June 2016

19. EVENTS SUBSEQUENT TO BALANCE DATE

Other than the above, there have been no events subsequent to year end which would have a material effect on the Group's financial statements at 30 June 2016.

20. RESERVES

Share premium reserve

The share premium reserve records items recognised as expenses on valuation of the equity component on convertible notes issued (note 9).

	2016	**2015**
	$	**$**
Share based payment reserve	117,907	250,522

	2016	**2015**
	$	**$**
(a) Movement in share premium reserve		
Opening balance	250,522	155,275
Equity component on convertible notes	-	95,247
Transfer to share capital of converted notes	(132,615)	-
Closing balance	117,907	250,522

DIRECTOR'S DECLARATION

The Directors of Esperance Minerals Limited declare that:

(a) based on the matters set out in Note 1(A), in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

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

(c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of directors made pursuant to S295 (5) of the Corporations Act 2001.

Alan Beasley
Chairman

Dated at Sydney this 30th day of September 2016.

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ESPERANCE MINERALS LIMITED

Report on the Financial Report

We were engaged to audit the accompanying financial report of Esperance Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matter described in the Bases for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

Independence

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

Bases for Disclaimer of Opinion

Going concern

As disclosed in the consolidated entity's statement of profit or loss and other comprehensive income for the year ended 30 June 2016 reflected a net loss of $1,213,901 and net current liabilities and a deficiency of net assets of $1,244,011 at that date. The consolidated entity's statement of cash flows for the year ended 30 June 2016 reflected net cash used in operating activities of $1,033,958. Further, the company was suspended from quotation on the ASX under listing rule 17.3 on 28 September 2016 and will continue to remain suspended until the company is able tom demonstrate compliance with Chapter 12 of the ASX listing rules.

We have been unable to obtain sufficient appropriate audit evidence as to whether the consolidated entity may be able to raise sufficient capital to fund its operations, and to have its suspension from quotation on the ASX lifted, hence removing significant doubt of its ability to continue as a going concern within 12 months of the date of this auditor's report.

Disclaimer of Opinion

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on whether:

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

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

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 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 Esperance Minerals Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

RSM

RSM AUSTRALIA PARTNERS

C J HUME
Partner

Sydney, NSW
Dated: 5 October 2016

ADDITIONAL INFORMATION REQUIRED BY THE ASX
At 27 September 2016

THE NUMBER OF SHAREHOLDERS AND THE DISTRIBUTION OF THEIR HOLDINGS IN EACH CLASS OF QUOTED SECURITIES WAS AS FOLLOWS:

	Fully Paid	Options
1 - 1,000	656	-
1,001 - 5,000	272	-
5,001 - 10,000	51	-
10,001 - 100,000	89	-
100,001 and over	117	43
	1,185	43

SHAREHOLDERS WITH HOLDINGS LESS THAN A MARKETABLE PARCEL OF 11,628 SHARES:

993

THE TWENTY LARGEST SHAREHOLDERS HOLD:

Fully Paid	Options
62.46%	44.20%

SUBSTANTIAL SHAREHOLDERS:

	Share Holding	
SJL Management Pty Ltd	15,000,000	6.35%
Mining Investments Limited	15,000,000	6.35%
Andrew Murray Gregor	12,000,000	5.08%

TOP TWENTY HOLDERS OF FULLY PAID SHARES

	Number	%
SJL MANAGEMENT PTY LTD	15,000,000	6.35%
MINING INVESTMENTS LIMITED	15,000,000	6.35%
MR ANDREW MURRAY GREGOR	12,000,000	5.08%
PAN INVESTMENTS GROUP PTY LTD	10,000,000	4.23%
ABROCARD PTY LTD	10,000,000	4.23%
SANPEREZ PTY LTD	9,875,000	4.18%
MONEYBUNG PTY LTD	8,400,000	3.55%
O'CONNELL STREET HOLDINGS PTY	7,150,000	3.02%
HSBC CUSTODY NOMINEES	7,045,237	2.98%
MR YOUNG-TAE HAN	6,599,629	2.79%
CITICORP NOMINEES PTY LIMITED	5,820,032	2.46%
MR KEIRAN JAMES SLEE	5,315,295	2.25%
MR YOUNG TAE HAN	5,118,153	2.17%
Q SUPA PTY LTD	5,000,000	2.12%
YAN SU HUA INVESTMENT TRUST	5,000,000	2.12%
TRAYBURN PTY LTD	4,467,480	1.89%
MR JODET DURAK	4,387,616	1.86%
PITT STREET ABSOLUTE RETURN	4,350,000	1.84%
MS BOZENA RAWICKA	3,558,000	1.51%
	147,586,794	62.46

ADDITIONAL INFORMATION REQUIRED BY THE ASX
At 27 September 2016

TOP HOLDERS OF OPTIONS - UNQUOTED

	Number	%
Abrocard Pty Ltd	10,000,000	7.6%
Sanperez Pty Ltd	8,000,000	6.1%
Pitt Street Absolute Return Fund Pty Limited	7,500,000	5.7%
O'Connell Street Holdings Pty Ltd	7,150,000	5.4%
Mr Andrew Murray Gregor	7,000,000	5.3%
Pan Investment Group Pty Ltd	5,000,000	3.8%
Yan Su Hua Investment Trust	5,000,000	3.8%
Ms Bozena Rawicka	3,317,159	2.5%
Mr Jodet Durak	3,000,000	2.3%
Chenyang Yan	2,660,000	2.0%
Mn Jeffery Pty Limited	2,500,000	1.9%
Mr Keiran James Slee	2,000,000	1.5%
Yongyuen Ji	1,500,000	1.1%
Penting Pty Ltd	1,500,000	1.1%
Mr Michael Noel Jeffery	1,500,000	1.1%
Mr Ian Barrie Murie & Mrs Tania Murie	1,500,000	1.1%
Mr Young-Tae Han	1,400,371	1.1%
Durak Investment Corporation Pty Ltd	1,400,000	1.1%
Mr Stephen Sharratt	1,200,000	0.9%
	74,127,530	56.5%

VOTING RIGHTS:

All ordinary shares carry one vote per share without restriction.

Option holders have no voting rights.