Exterra Resources Limited

ABN 26 138 222 705

Annual Financial Report

for the year ended 30 June 2016

Corporate Information

ABN 26 138 222 705

Directors
John Davis (Executive Chairman)
Geoff Laing (Executive Director)
Justin Brown (Non-Executive Director)
Peter Cole (Non-Executive Director)

Company Secretary
Dennis Wilkins

Registered Office
Ground Floor, 20 Kings Park Road
WEST PERTH WA 6005

Principal Place of Business
Ground Floor, 31 Ventnor Avenue
WEST PERTH WA 6005
Telephone: +61 8 9315 144
Facsimile: +61 8 9486 7093

Solicitors
Kings Park Corporate Lawyers
Level 2, 45 Richardson Street
WEST PERTH WA 6005

Share Register
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Auditors
Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Avenue
WEST PERTH WA 6005

Internet Address
www.exterraresources.com.au

Stock Exchange Listing
Exterra Resources Limited shares are listed on the Australian Securities Exchange (ASX code: EXC).

Contents

Directors' Report

Your directors submit their report for the year ended 30 June 2016.

DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

John Davis, (Executive Chairman from 22 August 2016, Managing Director from the beginning of the financial year until 22 August 2016, member of the Audit Committee, non-independent director)

John Davis is a Geologist with more than 30 years' experience in mineral exploration and development in Australia and Southern Africa, including gold, base metals and rare metals. He has extensive experience in the gold sector, from regional exploration, resource development to production, including as Exploration Manager/Chief Geologist for Metana Minerals NL. He was founding managing director of Jabiru Metals Ltd, where he played a key role in the discovery of the Jaguar base metal deposit, and a Technical Director of Monarch Gold Mining Co Ltd.

Geoff Laing, (Executive Director, appointed 22 August 2016, non-independent director)

Geoff Laing is a Chemical Engineer with over 20 years' experience in the mining sector across a variety of commodities, including gold, in Australia, Southern Africa and South America. Geoff has experience in project funding and mine development through to production. Previously, as Managing Director and GM Corporate and Project Development for Exco Resources Ltd, Geoff was instrumental in the successful development and divestment of the Cloncurry Copper Project in North Queensland and the highly successful White Dam Gold Mine in South Australia.

Justin Brown, (Non-Executive Director, Chairman of the Audit Committee and member of the Remuneration committee, non-independent director)

Justin Brown is a geologist with extensive experience in minerals exploration in Australia, New Zealand and Africa. He has a strong technical background with experience in mineral exploration and mining from grass roots target generation through to resource mining and mine production. Justin's successful career in the mining industry includes a position managing exploration for a large multinational company in the Leonora, Edjudina and Marvel Loch regions of Western Australia. Justin has in recent years expanded his corporate involvement in the industry and is currently executive director of ASX listed company Montezuma Mining Company Limited since May 2006.

Peter Cole, (Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit Committee, independent director)

Peter Cole has 35 years' experience in the mining and processing industry, and has extensive knowledge of site management, processing and the research fields.

Peter is currently the General Manager of Haoma Mining NL and Kitchener Mining NL.

COMPANY SECRETARY

Dennis Wilkins,

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd a leading privately held corporate advisory firm servicing the natural resources industry. Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. From 1995 to 2001 he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006.

Since July 2001 Mr Wilkins has been a running DWCorporate Pty Ltd where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector. Mr Wilkins is currently a non-executive director of Key Petroleum Ltd since 5 July 2006, TSX listed Mawson West Ltd since 3 August 2015, and an alternate director of Middle Island Resources Ltd since 1 May 2010. Within the last three years, Mr Wilkins has been a former director of ASX listed companies Duketon Mining Ltd (resigned 18 November 2014), A1 Consolidated Gold Ltd (resigned 11 May 2015) and Shaw River Manganese Ltd (resigned 18 December 2015).

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Exterra Resources Limited were:

	Ordinary Shares	Options over Ordinary Shares
John Davis	500,000	5,000,000
Geoff Laing	375,000	93,750
Justin Brown	5,500,002	3,000,000
Peter Cole	3,000,000	1,000,000

Directors' Report continued

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were the acquisition of mining tenements, and the exploration of these tenements with the objective of identifying economic mineral deposits.

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Finance Review

Exterra Resources began the year with cash assets of $405,220. During the year, placements to sophisticated and institutional investors were completed of a total of 56,309,522 ordinary shares raising gross funds of $1,250,000, and at the reporting date the Company had also received $580,000 in advance of a share issue completed on 1 July 2016.

During the year total exploration expenditure incurred by the Company amounted to $1,032,132 (2015: $418,691). In line with the Company's accounting policies, all exploration expenditure, other than acquisition costs, are written off as they are incurred. Fair value gains on financial assets during the year were $58,139 (2015: $409,552 losses), and losses on the sale of mining properties amounted to $nil (2015: $274,350). Other income of $25,957 (2015: $319,474) was received during the year in relation to the research and development tax incentive grant. Net administration expenditure incurred amounted to $183,713 (2015: $302,683). This has resulted in an operating loss after income tax for the year ended 30 June 2016 of $1,131,749 (2015: $1,085,802).

At 30 June 2016 cash assets available totalled $1,574,517.

Operating Results for the Year

Summarised operating results are as follows:

	2016	
	Revenues $	Results $
Revenues and loss from ordinary activities before income tax expense	9,511	(1,131,749)

Shareholder Returns

	2016	2015
Basic loss per share (cents)	**(0.6)**	(0.6)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Company occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 20, have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

Directors' Report continued

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is subject to significant environmental regulation in respect to its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Company for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

REMUNERATION REPORT

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

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Exterra Resources Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Exterra Resources Limited believes the remuneration policy to be appropriate and effective to run and manage the Company.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The board has resolved to cancel non-executive payments until further notice. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Performance based remuneration

The Company currently has no performance based remuneration component built into key management personnel remuneration packages.

Company performance, shareholder wealth and key management personnel remuneration

No relationship exists between shareholder wealth, key management personnel remuneration and Company performance.

Use of remuneration consultants

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

Voting and comments made at the Company's 2015 Annual General Meeting

The Company received approximately 99% of "yes" votes on its remuneration report for the 2015 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices other than from the board and the company secretary.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Company are set out in the following table.

The key management personnel of Exterra Resources Limited include only the directors as per page 3.

Directors' Report continued

Key management personnel of Exterra Resources Limited

	Short-Term		**Post Employment**		**Share-based Payments**	**Total**
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits		
	$	**$**	**$**	**$**	**$**	**$**
Directors						
John Davis						
2016	**80,000**	**986**	**-**	**-**	**-**	**80,986**
2015	80,600	998	-	-	38,500	120,098
Justin Brown						
2016	**-**	**986**	**-**	**-**	**-**	**986**
2015	-	998	-	-	23,100	24,098
Peter Cole						
2016	**-**	**986**	**-**	**-**	**-**	**986**
2015	-	998	-	-	7,700	8,698
Gary Morgan (resigned 18 November 2014)						
2015	-	385	-	-	-	385
Total key management personnel compensation						
2016	**80,000**	**2,958**	**-**	**-**	**-**	**82,958**
2015	80,600	3,379	-	-	69,300	153,279

Service agreements

John Davis, Managing Director (for the financial years ended 30 June 2016 and 30 June 2015):

Pursuant to a Service Agreement, which commenced on 24 May 2011 and terminated on 15 November 2013, the Directors arranged for John Davis to provide his services as Managing Director of Exterra. Exterra paid John Davis an annual salary of $250,000 during this period.

Since 15 November 2013, Sammy Pty Ltd, a business controlled by John Davis, has provided Mr Davis' services as Managing Director of Exterra Resources Limited on a consulting basis at an agreed rate of $7,200 per month (plus GST) for 3 days per week. Effective from 1 February 2015 the rate was amended to $5,000 per month (plus GST) for 3 days per week. Effective from 1 May 2016 the rate was amended to $15,000 per month (plus GST) for 5 days per week. The amounts paid were at arms' length and are included as part of Mr Davis' compensation.

Share-based compensation

Options are issued to key management personnel as part of their remuneration. The options are not issued based on performance criteria, but are issued to key management personnel of Exterra Resources Limited to increase goal congruence between key management personnel and shareholders. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel management from obtaining mortgages in securities held in the Company.

There were no options granted to or vesting with key management personnel during the year. There were no options forfeited during the year.

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Exterra Resources Limited during the year.

Directors' Report continued

Equity instruments held by key management personnel

Share holdings

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

2016	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Exterra Resources Limited				
Ordinary shares				
John Davis	**500,000**	-	-	**500,000**
Justin Brown(1)	**5,500,002**	-	-	**5,500,002**
Peter Cole	**3,000,000**	-	-	**3,000,000**

(1) In addition to the shares shown above, an ASX listed Company of which Mr Brown is Executive Director held 14,000,000 shares at 30 June 2016 (2015: 14,000,000).

Option holdings

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

2016	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Exterra Resources Limited							
John Davis	**5,000,000**	-	-	-	**5,000,000**	**5,000,000**	-
Justin Brown	**3,000,000**	-	-	-	**3,000,000**	**3,000,000**	-
Peter Cole	**1,000,000**	-	-	-	**1,000,000**	**1,000,000**	-

Loans to key management personnel

There were no loans to key management personnel during the year.

Other transactions with key management personnel

There are no other transactions with key management personnel during the year other than those noted in the accounts.

End of audited Remuneration Report

DIRECTORS' MEETINGS

During the year the Company held five meetings of directors. The attendance of directors at meetings of the board and committees were:

	Directors' Meetings		Committee Meetings			
			Audit		Remuneration	
	A	B	A	B	A	B
John Davis	5	5	2	2	1	1
Justin Brown	5	5	2	2	1	1
Peter Cole	5	5	2	2	1	1

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

Directors' Report continued

SHARES UNDER OPTION

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

Grant dates	Expiry date	Exercise price (cents)	Number of options
19 June 2015	19 June 2020	2.15	12,000,000
22 April 2016	21 April 2017	3.50	11,179,761
24 June 2016	15 June 2017	3.50	3,000,000
24 June 2016	15 June 2017	6.00	5,125,000
1 July 2016	1 July 2019	6.00	9,375,000
4 July 2016	4 July 2018	6.00	5,000,000
26 August 2016	26 August 2019	10.00	2,500,000
26 August 2016	26 August 2019	12.50	2,500,000
Total number of options outstanding at the date of this report			**50,679,761**

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

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Exterra Resources Limited paid a premium of $3,000 to insure the directors and secretary of the Company.

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

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Rothsay Chartered Accountants, or associated entities.

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 any part of those proceedings.

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of the directors.

John Davis
Executive Chairman
Perth, 28 September 2016

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

The Directors
Exterra Resources Limited
PO Box 1153
West Perth WA 6872

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2016 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RGarda

Rolf Garda (Lead auditor)

Rothsay

Dated 28 September 2016

Chartered Accountants

Liability Limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2016

	Notes	The Company 2016 $	The Company 2015 $
REVENUE	4(a)	**9,511**	12,329
Other income	4(b)	**84,096**	319,474
EXPENDITURE			
Administration and corporate expenses		**(172,042)**	(190,102)
Depreciation expense		**(17,257)**	(22,446)
Employee benefits expense		**(3,925)**	(10,064)
Exploration expenses		**(1,032,132)**	(418,691)
Fair value losses on financial assets at fair value through profit or loss		**-**	(409,552)
Loss on sale of mining properties		**-**	(274,350)
Share-based payments expense	23	**-**	(92,400)
LOSS BEFORE INCOME TAX		**(1,131,749)**	(1,085,802)
INCOME TAX EXPENSE	6	**-**	-
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO OWNERS OF EXTERRA RESOURCES LIMITED		**(1,131,749)**	(1,085,802)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	22	**(0.6)**	(0.6)

The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

AT 30 JUNE 2016

	Notes	The Company 2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	7	**1,574,517**	405,220
Trade and other receivables	8	**25,808**	106,339
Financial assets at fair value through profit or loss	9	**-**	162,000
TOTAL CURRENT ASSETS		**1,600,325**	675,559
NON-CURRENT ASSETS			
Plant and equipment	10	**226,924**	244,181
Mining properties	11	**3,785,000**	3,785,000
TOTAL NON-CURRENT ASSETS		**4,011,924**	4,029,181
TOTAL ASSETS		**5,612,249**	4,702,740
CURRENT LIABILITIES			
Trade and other payables	12	**311,618**	57,860
TOTAL CURRENT LIABILITIES		**311,618**	57,860
TOTAL LIABILITIES		**311,618**	57,860
NET ASSETS		**5,300,631**	4,644,880
EQUITY			
Contributed equity	13	**15,065,529**	13,317,529
Reserves	14(a)	**432,850**	393,350
Accumulated losses	14(b)	**(10,197,748)**	(9,065,999)
TOTAL EQUITY		**5,300,631**	4,644,880

The above Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

YEAR ENDED 30 JUNE 2016

The Company	Notes	Contributed Equity $	Share-based Payments Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2014		13,317,529	300,950	(7,980,197)	5,638,282
Loss for the year	14(b)	-	-	(1,085,802)	(1,085,802)
TOTAL COMPREHENSIVE EXPENSE		-	-	(1,085,802)	(1,085,802)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Employee and consultant share-based payments		-	92,400	-	92,400
BALANCE AT 30 JUNE 2015		13,317,529	393,350	(9,065,999)	4,644,880
Loss for the year	14(b)	**-**	**-**	**(1,131,749)**	**(1,131,749)**
TOTAL COMPREHENSIVE EXPENSE		**-**	**-**	**(1,131,749)**	**(1,131,749)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	13	**1,830,000**	**-**	**-**	**1,830,000**
Transaction costs	13	**(82,000)**	**-**	**-**	**(82,000)**
Supplier share-based payments	14(a)	**-**	**39,500**	**-**	**39,500**
BALANCE AT 30 JUNE 2016		**15,065,529**	**432,850**	**(10,197,748)**	**5,300,631**

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2016	Notes	The Company 2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(170,198)**	(219,057)
Payments for exploration expenditure		**(755,291)**	(508,882)
Interest received		**6,349**	12,622
Proceeds on sale of financial assets at fair value through profit or loss		**337,480**	123,607
Research and development tax incentive grant received		**25,957**	319,474
Payments for purchases of financial assets at fair value through profit or loss		**(62,500)**	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	21(a)	**(618,203)**	(272,236)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of mining properties		-	175,000
NET CASH INFLOW FROM INVESTING ACTIVITIES		-	175,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**1,830,000**	-
Payments of share issue transaction costs		**(42,500)**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,787,500**	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,169,297**	(97,236)
Cash and cash equivalents at the beginning of the year		**405,220**	502,456
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**1,574,517**	405,220

The above Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These financial statements are for Exterra Resources Limited as an individual entity. The financial statements are presented in the Australian currency. Exterra Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 28 September 2016. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Exterra Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The financial statements of Exterra Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Company

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company during the financial year.

(iii) Early adoption of standards

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value.

(b) Segment reporting

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

(c) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(d) Government grants

The Research and Development Tax Incentive Grant received from the Australian Taxation Office is recognised in profit or loss in the period in which it becomes receivable, with the amount included in other income.

(e) Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Notes to the Financial Statements continued

30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

(h) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position. Loans and receivables are carried at amortised cost using the effective interest method.

(i) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 5% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Notes to the Financial Statements continued

30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(l) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 23.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

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

(m) Issued capital

Ordinary shares are classified as equity.

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

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(o) Goods and Services Tax (GST)

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

Notes to the Financial Statements continued

30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Company.

AASB 9 *Financial Instruments* (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
- The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in December 2014.

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on or after 1 January 2015.

Based on the financial assets and liabilities currently held, the Company does not anticipate any impact on the financial statements upon adoption of this standard. The Company does not presently engage in hedge accounting.

AASB 15 *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2017).

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations (IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 A*greements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Notes to the Financial Statements continued

30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a) Step 1: Identify the contract(s) with a customer

b) Step 2: Identify the performance obligations in the contract

c) Step 3: Determine the transaction price

d) Step 4: Allocate the transaction price to the performance obligations in the contract

e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

There will be no impact on the Company's financial position or performance.

AASB 16 *Leases* (applicable for annual reporting periods commencing on or after 1 January 2019).

The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonable certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

IFRS 16 contains disclosure requirements for lessees.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted, provided the new revenue standard, AASB 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as AASB 16.

The effect of this amendment on the Company's financial statements has yet to be determined.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Company.

(q) Critical accounting judgements, estimates and assumptions

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

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Environmental issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

Share-based payments

Share-based payment transactions, in the form of options to acquire ordinary shares, are valued using the Black-Scholes option or other recognised pricing model. Models use assumptions and estimates as inputs.

The Directors do not consider the resultant value as determined by, say, the Black-Scholes European Option Pricing Model is in anyway representative of the market value of the share options issued, however, in the absence of reliable measure of the goods or services received, AASB 2 *Share Based Payments* prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing equity instruments. Other recognised models may be used.

30 JUNE 2016

2. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the full Board of Directors as the Company believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia the Company is not exposed to foreign exchange risk.

(ii) Price risk

The Company was exposed to equity securities price risk. This arose from investments held by the Company and classified in the statement of financial position as financial assets at fair value through profit or loss. Given the current level of operations, the Company is not currently exposed to commodity price risk.

The Company's equity investments are publicly traded on the ASX, with the investments being made for strategic purposes identified by the Board of Directors. The price risk is monitored by the Board and evaluated in accordance with these strategic outcomes.

Sensitivity analysis

The Company did not hold any equity instruments at 30 June 2016. At 30 June 2015, if the value of the equity instruments held had increased/decreased by 15% with all other variables held constant, post-tax loss for the Company would have been $24,300 lower/higher, with no changes to other equity balances, as a result of gains/losses on equity securities classified as financial assets at fair value through profit or loss.

(iii) Interest rate risk

The Company is exposed to movements in market interest rates on cash and cash equivalents. The Company policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Company $1,574,517 (2015: $405,220) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Company was 1.9% (2015: 3.1%).

Sensitivity analysis

At 30 June 2016, if interest rates had changed by -/+ 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Company would have been $4,967 lower/higher (2015: $4,000 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Company does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Company. Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Company's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Company are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Company at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

30 JUNE 2016

	The Company 2016 $	The Company 2015 $

3. SEGMENT INFORMATION

For management purposes, the Company has identified only one reportable segment being exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Company's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Company's accounting policies.

Exploration segment

	2016 $	2015 $
Segment revenue and other income	-	-
Reconciliation of segment revenueand other income to total revenue before tax:		
Interest revenue	**9,511**	12,329
Other income	**84,096**	319,474
Total revenue and other income	**93,607**	331,803
Segment results	**(1,032,132)**	(693,041)
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	**(99,617)**	(392,761)
Net loss before tax	**(1,131,749)**	(1,085,802)
Segment operating assets	**4,033,058**	4,079,877
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	**1,579,191**	622,863
Total assets	**5,612,249**	4,702,740
Segment operating liabilities	**283,642**	36,365
Reconciliation of segment operating liabilities to total liabilities:		
Other corporate and administration liabilities	**27,976**	21,495
Total liabilities	**311,618**	57,860

4. REVENUE AND OTHER INCOME

(a) Revenue from continuing operations

	2016 $	2015 $
Other revenue		
Interest	**9,511**	12,329

(b) Other income

	2016 $	2015 $
Research and development tax incentive grant	**25,957**	319,474
Net fair value gains on financial assets at fair value through profit or loss	**58,139**	-
	84,096	319,474

5. EXPENSES

Loss before income tax includes the following specific expenses:

	2016 $	2015 $
Defined contribution superannuation expense	**5,411**	5,578

Notes to the Financial Statements continued

30 JUNE 2016

	The Company	
	2016	2015
	$	$
6. INCOME TAX		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(1,131,749)**	(1,085,802)
Prima facie tax benefit at the Australian tax rate of 28.5% (2015: 30%)	**(322,548)**	(325,741)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**-**	27,720
Research and development incentive grant	**(7,398)**	(95,842)
	(329,946)	(393,863)
Movements in unrecognised temporary differences	**16,145**	65,561
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**313,801**	328,302
Income tax expense	**-**	-
(c) Unrecognised temporary differences		
Deferred Tax Assets at 28.5% (2015: 30%)		
On Income Tax Account		
Accruals	**24,508**	4,328
Financial assets at fair value through profit or loss	**-**	59,400
Carry forward tax losses	**2,330,888**	2,385,890
	2,355,396	2,449,618
Deferred Tax Liabilities at 28.5% (2015: 30%)		
Capitalised tenement acquisition costs	**353,196**	358,347

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Company's ability to use losses in the future is subject to the Company satisfying the relevant tax authority's criteria for using these losses.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2016	2015
Cash at bank and in hand	**664,517**	95,220
Short-term deposits	**910,000**	310,000
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**1,574,517**	405,220

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Cash at bank and in hand includes $580,000 (2015: nil) held in trust by the Company, being funds received in advance of an issue of ordinary shares. The shares were issued on 1 July 2016 (refer note 20) at which time the funds were no longer restricted and became available for use by the Company.

30 JUNE 2016

	The Company	
	2016	2015
	$	$

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Government taxes receivable	**20,914**	-
Sundry receivables	**4,894**	106,339
	25,808	106,339

Sundry receivables are not past due nor impaired, and based on history are expected to be fully recoverable.

9. CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Australian listed equity securities	-	162,000

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

Changes in fair values of financial assets at fair value through profit or loss are shown directly on the statement of comprehensive income.

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment		
Cost	**391,868**	391,868
Accumulated depreciation	**(164,944)**	(147,687)
Net book amount	**226,924**	244,181

Plant and equipment		
Opening net book amount	**244,181**	266,627
Depreciation charge	**(17,257)**	(22,446)
Closing net book amount	**226,924**	244,181

11. NON-CURRENT ASSETS –MINING PROPERTIES

Tenement acquisition costs carried forward in respect of mining areas of interest		
Opening net book amount	**3,785,000**	4,984,350
Tenements sold during the year	-	(1,199,350)
Closing net book amount	**3,785,000**	3,785,000

During the 2015 financial year the Company completed the sale of the Egerton Gold Project to Gascoyne Resources Ltd (Gascoyne) for total consideration of $1m. $250,000 was received in cash, with $50,000 received during the 2015 period and the remainder received during prior periods. $750,000 was settled by the receipt of 4,166,167 Gascoyne shares, and 500,000 unlisted options exercisable at 25 cents with a 3-year term.

The ultimate recoupment of costs carried forward for tenement acquisition is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	**224,500**	41,421
Other payables and accruals	**87,118**	16,439
	311,618	57,860

30 JUNE 2016

13. CONTRIBUTED EQUITY

(a) Share capital

		2016		2015	
	Notes	Number of shares	$	Number of shares	$
Ordinary shares fully paid	13(b), 13(d)	**237,462,516**	**15,065,529**	181,152,994	13,317,529
Total contributed equity			**15,065,529**		13,317,529

(b) Movements in ordinary share capital

Beginning of the financial period	**181,152,994**	**13,317,529**	181,152,994	13,317,529
Issued during the year:				
– Issued for cash at 1.25 cents per share	**20,000,000**	**250,000**	-	-
– Issued for cash at 2.1 cents per share	**23,809,522**	**500,000**	-	-
– Issued for cash at 4.0 cents per share[1]	**12,500,000**	**1,080,000**	-	-
Transaction costs	**-**	**(82,000)**	-	-
End of the financial period	**237,462,516**	**15,065,529**	181,152,994	13,317,529

(1) 12,500,000 shares were issued on 28 April 2016. Funds have also been received in advance of a separate share placement, with those shares issued on 1 July 2016, refer note 20.

(c) Movements in options on issue

	Number of options	
	2016	2015
Beginning of the year	**12,500,000**	20,000,000
Issued, exercisable at 2.15 cents, on or before 19 June 2020	**-**	12,000,000
Issued, exercisable at 3.5 cents, on or before 21 April 2017	**11,904,761**	-
Issued, exercisable at 3.5 cents, on or before 15 June 2017	**3,000,000**	-
Issued, exercisable at 6.0 cents, on or before 15 June 2017	**5,125,000**	-
Expired on 31 December 2014, exercisable at 25 cents	**-**	(8,500,000)
Expired on 31 December 2014, exercisable at 30 cents	**-**	(11,000,000)
Expired on 20 May 2016, exercisable at 20 cents	**(500,000)**	-
End of the year	**32,029,761**	12,500,000

(d) Ordinary shares

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

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

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

(e) Capital risk management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The Company has held discussions with a number of parties with the view to raising additional capital in the short term while considering longer term funding options. The working capital position of the Company at 30 June 2016 and 30 June 2015 is as follows:

Notes to the Financial Statements continued

30 JUNE 2016

	The Company	
	2016	2015
	$	$

13. CONTRIBUTED EQUITY (cont'd)

	2016 $	2015 $
Cash and cash equivalents	**1,574,517**	405,220
Trade and other receivables	**25,808**	106,339
Financial assets at fair value through profit or loss	**-**	162,000
Trade and other payables	**(311,618)**	(57,860)
Working capital position	**1,288,707**	617,699

14. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

Share-based payments reserve

	2016 $	2015 $
Balance at beginning of financial year	**393,350**	300,950
Employee and consultant share-based payments	**-**	92,400
Supplier options	**39,500**	-
Balance at end of financial year	**432,850**	393,350

(b) Accumulated losses

	2016 $	2015 $
Balance at beginning of financial year	**(9,065,999)**	(7,980,197)
Net loss for the year	**(1,131,749)**	(1,085,802)
Balance at end of financial year	**(10,197,748)**	(9,065,999)

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

15. DIVIDENDS

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

16. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

	2016 $	2015 $
Short-term benefits	**82,958**	83,979
Post-employment benefits	**-**	-
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**-**	69,300
	82,958	153,279

Detailed remuneration disclosures are provided in the remuneration report on pages 5 to 7.

(b) Loans to related parties

There were no loans to related parties, including key management personnel, during the year.

(c) Transactions and balances with other related parties

There were no other transactions with related parties, including key management personnel, during the year.

17. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

Audit services

	2016 $	2015 $
Rothsay Chartered Accountants - audit and review of financial reports	**16,500**	21,000
Total remuneration for audit services	**16,500**	21,000

30 JUNE 2016

	The Company	
	2016	2015
	$	$

18. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Company at balance date.

19. COMMITMENTS

Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	2016 $	2015 $
within one year	**473,100**	430,500
later than one year but not later than five years	**1,764,400**	2,425,800
later than five years	**3,464,400**	5,719,180
	5,701,900	8,575,480

20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

During July 2016 the Company completed a placement of 37,500,000 ordinary shares, together with 9,375,000 free attaching options (exercise price $0.06, expiring 1 July 2019), to raise gross proceeds of $1,500,000. As part consideration for capital raising services associated with this placement, 5,000,000 options (exercise price $0.06, expiring 4 July 2018) were also issued.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

21. CASH FLOW INFORMATION

(a) Reconciliation of net loss after income tax to net cash outflow from operating activities

	2016 $	2015 $
Net loss for the year	**(1,131,749)**	(1,085,802)
Non-Cash Items		
Depreciation of plant and equipment	**17,257**	22,446
Fair value of financial assets received on sale of mining properties	-	750,000
Net loss/(gain) on sale of mining properties	-	274,350
Share-based payments	-	92,400
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**80,531**	(69,878)
Decrease/(increase) in financial assets at fair value through profit or loss	**162,000**	(162,000)
Increase/(decrease) in trade and other payables	**253,758**	(93,752)
Net cash outflow from operating activities	**(618,203)**	(272,236)

(b) Non-cash investing and financing activities

During the 2015 financial year the Company completed the sale of the Egerton Gold Project to Gascoyne Resources Ltd (Gascoyne) for total consideration of $1m. $250,000 was received in cash, whilst the remaining $750,000 was settled by the receipt of 4,166,167 Gascoyne shares, and 500,000 unlisted options exercisable at 25 cents with a 3-year term.

22. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

	2016 $	2015 $
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(1,131,749)**	(1,085,802)

	Number of shares	
	2016	2015
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**202,711,347**	181,152,994

30 JUNE 2016

22. LOSS PER SHARE (cont'd)

(c) Information on the classification of options

As the Company has made a loss for the year ended 30 June 2016, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

23. SHARE-BASED PAYMENTS

(a) Employees and Contractors Options

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted and outstanding at 30 June 2016 is 2.15 cents, with an expiry date of 19 June 2020.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

There were no options granted during the current reporting period. The weighted average fair value of the options granted during the 2015 financial year was 0.8 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016	2015
Weighted average exercise price (cents)	-	2.15
Weighted average life of the option (years)	-	5.0
Weighted average underlying share price (cents)	-	1.5
Expected share price volatility	-	70.0%
Risk free interest rate	-	2.37%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

(b) Options issued to suppliers

The Company has previously issued options as part consideration for tenement acquisition and capital raising services. During the current reporting period the Company issued options as part consideration for capital raising services. The exercise prices of the options granted and outstanding at 30 June 2016 ranges from 3.5 to 6 cents per option. All options currently on issue expire on 15 June 2017.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in the capital of the Company with full dividend and voting rights.

Fair value of options granted

The weighted average fair value of the options granted during the year was 0.8 cents (2015: N/A). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016	2015
Weighted average exercise price (cents)	4.5	-
Weighted average life of the option (years)	1.0	-
Weighted average underlying share price (cents)	3.6	-
Expected share price volatility	70.0%	-
Risk free interest rate	1.55%	-

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

Notes to the Financial Statements continued

30 JUNE 2016

23. SHARE-BASED PAYMENTS (cont'd)

Set out below are summaries of the share-based payment options granted per (a) and (b):

	The Company			
	2016		2015	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the financial year	**12,500,000**	**2.9**	3,500,000	28.6
Granted	**5,000,000**	**4.5**	12,000,000	2.1
Forfeited/cancelled	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Expired	**(500,000)**	**20.0**	(3,000,000)	30.0
Outstanding at year-end	**17,000,000**	**2.8**	12,500,000	2.9
Exercisable at year-end	**17,000,000**	**2.8**	12,500,000	2.9

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 3.1 years (2015: 4.8), and the exercise prices range from 2.15 to 6 cents.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	The Company	
	2016 $	2015 $
Options granted to employees and contractors	-	92,400
Options granted to suppliers (included as share issue transaction costs)	**39,500**	-
	39,500	92,400

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 27 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

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

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

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

John Davis
Executive Chairman
Perth, 28 September 2016

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF EXTERRA RESOURCES LIMITED

Report on the financial report

We have audited the accompanying financial report of Exterra Resources Limited (the Company") which comprises the statement of financial position as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Audit opinion

In our opinion the financial report of Exterra Resources Limited is in accordance with the *Corporations Act 2001*, including:

a) (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the period ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Report on the remuneration report

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

Audit opinion

In our opinion the remuneration report of Exterra Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rolf Garda
Partner

Dated 28 September 2016

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).