



WINDWARD
RESOURCES LTD
ACN: 158 432 270

**Annual Report
for the Financial Year Ended 30 June 2016**

WINDWARD RESOURCES LIMITED
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**WINDWARD RESOURCES LIMITED
CORPORATE DIRECTORY**

Directors

Executive Chair

Ms Bronwyn Barnes

Non-Executive Directors

Mr Stephen Lowe

Mr George Cameron-Dow

Mr Stuart Fogarty

Company Secretary

Mr Stephen Brockhurst

Registered and Principal Office

Level 1

8 Kings Park Road

West Perth Western Australia 6005

Telephone : +61 (8) 9321 6667

Facsimile : +61 (8) 9322 5940

Website

www.windwardresources.com.au

Auditors

Moore Stephens Perth

Level 15, Exchange Tower

2 The Esplanade, Perth, WA 6000

Bankers

Australia and New Zealand Banking Group Limited

Level 9, 77 St Georges Terrace

Perth Western Australia 6000

Solicitors

Kings Park Corporate Lawyers

Level 2, 45 Richardson Street

West Perth Western Australia 6005

Share Registry

Advanced Share Registry Services

110 Stirling Highway

Nedlands Western Australia 6009

Telephone : (08) 9389 8033

Facsimile : (08) 9262 3723

Securities Exchange

Australian Securities Exchange

Level 40, Central Park

152 – 158 St Georges Terrace

Perth Western Australia 6000

ASX Code

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WINDWARD RESOURCES LIMITED DIRECTORS' REPORT

The directors present their report together with the financial statements of Windward Resources Limited ("Windward" or "Company") for the financial year ended 30 June 2016.

Current Directors

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

Ms Bronwyn Barnes - Executive Chair
Mr Stephen Lowe - Non-Executive Director
Mr George Cameron-Dow - Non-Executive Director
Mr Stuart Fogarty - Non-Executive Director

Names, Qualifications and Special Responsibilities

Ms Bronwyn Barnes, BA, Grad Dip Bus, MAICD Executive Chair

Ms Barnes has extensive experience in strategic planning and project development, having worked for a number of international and Australian private and public companies. With over 16 years' experience in the resources sector, Ms Barnes has held director, leadership and operational roles with companies ranging from BHP Billiton to emerging juniors. Ms Barnes is an experienced Board member having served in both executive and non-executive capacities in the resources, fishing, indigenous, education and community sectors.

Ms Barnes is currently the Executive Chair of Windward Resources Ltd, Independent Director of JC International Group Limited (JCI) and is a Member of the Advisory Council for Curtin University School of Business.

Other Listed Public Company Directorships in the last 3 years:
JC International Group Limited (JCI) – Non-Executive Director (appointed September 2015)

Mr Stephen Lowe, B Bus (ECU), Grad Dip Adv Tax (UNSW), MTax (UNSW), FTIA, MAICD Non-Executive Director

Mr Stephen Lowe is currently the part-time business manager for major shareholder Mark Creasy and responsible for managing all aspects of Mr Creasy's business interests and investments.

Mr Lowe is a taxation and business management specialist with over 15 years' experience consulting to a wide range of corporate and private clients. He is a former director of the Perth based specialist taxation firm MKT Taxation Advisors. His qualifications include a Bachelor of Business, Post-Graduate Diploma in Advanced Taxation and a Master of Taxation from the University of New South Wales.

Mr Lowe is a Fellow of the Taxation Institute of Australia. He is also a Member of the Australian Institute of Company Directors.

Other Listed Public Company Directorships in the last 3 years:
Talga Resources Ltd – Non-Executive Director (appointed December 2015 - current)
Coziron Resources Ltd - Non-Executive Director (appointed October 2010 – current)

WINDWARD RESOURCES LIMITED DIRECTORS' REPORT

Mr George Cameron-Dow, Master of Management (cum laude) Wits, SEP Stanford (USA), FAICD, FAIM Non-Executive Director

Mr Cameron-Dow has held several executive and non-executive, listed and private company directorships across a variety of industries.

From 2001 to 2005 Mr Cameron-Dow was a director of corporate advisory and investment firm Churchill Capital Services. He is a founding director 2006 of investment fund manager Fleming Funds Management Pty Ltd (previously St George Capital Pty Ltd) and investment advisory firm Fleming Capital Pty Ltd.

Mr Cameron-Dow is past Chairman of a number of retirement funds, past Chairman of a private health insurance fund, past Managing Director of ASX listed Xceed Capital Ltd and formerly a director of Consol Limited (a JSE Listed diversified industrial group).

Mr Cameron-Dow has a Master of Management (cum laude) from Wits University and in 1998 attended the Stanford Executive Program at Stanford University, USA. He is a fellow of the Australian Institute of Management, and fellow of the Australian Institute of Company Directors.

Other Listed Public Company Directorships in the last 3 years:

Naracoota Resources Limited - Non-Executive Director (appointed October 2012 – March 2015)

Bioxyne Limited – Non-Executive Director (appointed July 2014 – current)

Optiscan Limited – Non-Executive Director (appointed July 2015 – September 2015)

EVE Investments Ltd – Non-Executive Director (appointed March 2016 – current)

Mr Stuart Fogarty, BSc (Hons) Non-Executive Director

Mr Fogarty has over 20 years of exploration experience in nickel, copper, gold and various other commodities. He commenced his career at Kambalda Nickel in 1994 and has held senior roles with Western Mining Corporation and BHP Billiton, including Senior Geoscientist for nickel exploration in the Leinster and Mt Keith region, Project Manager WA Nickel Brownfields and Regional Manager Australia – Asia. Until recently, Mr Fogarty was BHP's Senior Exploration Manager for North and South America.

Mr Fogarty is currently the Managing Director of Duketon Mining Ltd.

Other Listed Public Company Directorships in the last 3 years:

Duketon Mining Ltd - Managing Director (appointed 30 October 2013 – current)

Buxton Resources Ltd – Non-Executive Director (appointed 11 July 2013 – 30 June 2015)

Mr Stephen Brockhurst, BCom Company Secretary

Mr. Brockhurst has 15 years of experience in the finance and corporate advisory industry and has been responsible for the preparation of the due diligence process and prospectuses on a number of initial public offers. His experience includes corporate and capital structuring, corporate advisory, and company secretarial services, capital raising, ASX and ASIC compliance requirements. Mr. Brockhurst has served on various boards and is currently company secretary for numerous ASX listed and unlisted companies.

Interests in the Shares and Options of the Company

As at the date of this report, the interests of the directors in the ordinary shares of Windward were:

| Directors | Ordinary Shares held in Windward | Unlisted Options held in Windward |
|------------------|---|--|
| B. Barnes | Nil | 300,000 |
| S. Lowe | 155,000 | 300,000 |
| G. Cameron-Dow | 300,000 | 300,000 |
| S. Fogarty | Nil | 300,000 |

WINDWARD RESOURCES LIMITED

DIRECTORS' REPORT

Dividends

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

Principal Activities

The principal activity of the Company during the financial year was the exploration of precious and base metal projects in the Albany-Fraser Region of Western Australia.

Operating Results for the Year

The operating result of the Company for the year was a loss of \$2,193,521 (2015: loss \$4,064,489).

Review of Operations

Over the past 12 months Windward Resources Limited ("Windward" or the Company) focused on continuing exploration activities on the Company's existing pipeline of nickel and gold targets within the Albany-Fraser Orogen. The following activities were completed between July 2015 - June 2016.

- Reverse Circulation (RC) drilling of a first-order conductor target at the Cundeelee Prospect, located approximately 25kms south of Nova-Bollinger nickel - copper deposit. Drill hole 15CDRC001 was drilled to a depth of 222m and intersected disseminated sulphides (<1%) from 180m to 183m. A thin horizon (1m) of semi-massive graphite was intersected at 203m down-hole. The major lithology intersected in the hole was mafic granulite. Disseminated graphite was also noted between 206m and 207m down-hole.
- RC drilling to test a stratigraphic target at the Turcaud prospect, located approximately 18kms south east of Nova-Bollinger nickel - copper deposit. Drilling at the Turcaud magnetic feature identified the magnetic source as a foliated garnetiferous meta-sediment with thick bands of magnetite ranging from 2cm to 50cm. The identification of this rock unit will help to better understand the regional magnetics, thereby assisting the Company to better target future exploration activities.
- The drilling programs for Cundeelee and Turcaud received a grant of up to \$100,000 in co-funding from the Western Australian Government as part of the Exploration Incentive Scheme (EIS).
- RC drilling at the Buningonia North prospect was completed to provide a deeper test for previously completed aircore drilling where nickel assays of up to 1.1% Ni were returned. A total of nine drill holes were completed for 1,074m with depths ranging from 60m to a maximum of 175m. Drilling was completed on broad spaced drill sections (300m, 400m and 900m) with the holes at 50m spacings along each section. Mafic and ultramafic lithologies were intersected with blebby and disseminated sulphides observed in the drill samples. Drilling has suggested that the western ultramafic contact is the most prospective area for possible nickel mineralisation.
- RC drilling program at the Uraryie Prospects. A total of 12 drill holes were completed for 1,722m with depths ranging from 90m to a maximum of 192m. Drilling was completed at three separate prospects namely Uraryie, Uraryie South and Uraryie Southeast. The RC drilling has returned encouraging first-pass results, intersecting mafic and ultramafic intrusive lithologies. Highly anomalous nickel values were intersected that explain the nickel anomaly within the regolith at Uraryie intersected in previous RC drilling and within the "nickel-in-soil" anomaly at Uraryie South. While no sulphides were visually identified within the ultramafic lithologies, the ultramafic intersected was highly altered by serpentine, chlorite and carbonate, and was moderately magnetic.
- A gravity survey was completed at the Western Margin prospect in conjunction with a comprehensive analysis of the existing Windward 2013 aeromagnetic dataset by Archimedes Consulting (Adelaide). The interpretation has provided magnetic lineaments and fault interpretations using their proprietary techniques which has highlighted an east-west cross-cutting corridor that contains both the gravity feature and the Nova Ni-Cu deposit. This area was defined as an "Area of Interest" for further exploration.

WINDWARD RESOURCES LIMITED DIRECTORS' REPORT

- Aircore drilling has been completed within the “Area of Interest” at the Western Margin prospect and consisted of 39 holes for 2,737m. The aim of the drilling was to help determine the basement lithologies and the litho-geochemical characteristics within this area prior to the completion of a geophysical IP survey.
- Geophysical IP survey was completed across the Western Margin prospect identifying two chargeability horizons that appear discordant to the interpreted stratigraphy. The Company will be undertaking further modelling and interpretation work in the future.
- Phase one of infill and extensional surface sampling of priority one targets defined from the Company’s roadside sampling program across the Fraser Range South Project tenements was completed during the year. Based on these results a further program of tenement rationalisation was completed in order to focus future exploration on the most prospective areas of the Fraser Range South project. All results returned from the exploration completed are currently being reviewed and interpreted to determine the next phase of follow up exploration activity for this tenement package.

The above activities were all designed to provide additional information to assist with unlocking the value of its Albany – Fraser Project tenement packages whilst maintaining a strong focus on minimising costs.

During the year Windward also actively reviewed a number of potential new project opportunities within Australia. These projects ranged from green fields exploration prospects to more advanced projects with significant mineral resources. Windward will continue to review project opportunities that have the potential to complement the existing portfolio or provide new opportunities for the Company.

Competent Persons Statement

The information in this document that relates to exploration results is based upon information compiled by Mr Alan Downie, a full-time employee of Windward Resources Limited. Mr Downie is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Mr Downie consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Company occurred during the financial year.

Significant Events after Balance Date

On 2 September 2016, the Company announced that 400,000 options exercisable at \$0.40 and 500,000 options exercisable at \$0.50 expired unexercised.

On 8 September 2016, the Company announced Eastern Goldfields Limited is to become a cornerstone shareholder in Windward via a \$2.2M share placement at 12 cents per share (“Subscription Price”), subject to shareholder approval.

Contemporaneously with the issue of shares under the placement, Windward has also agreed to issue to Eastern Goldfields two tranches of unlisted options, comprising 9 million options exercisable at 125% of the Subscription Price within 18 months of their issue, and 9 million options exercisable at 166% of the Subscription Price within 30 months of their issue.

Following completion of the share placement and post shareholder approval, Eastern Goldfields has agreed to underwrite a non-renounceable pro rata entitlement offer to raise a further \$3.8 million, to be undertaken on a 1 for 4 basis at an issue price per share equivalent to the Subscription Price plus free attaching options equivalent to the options to be issued to Eastern Goldfields under the placement. The entitlement offer will give all existing Windward shareholders the opportunity to participate in this capital raising at the same price as Eastern Goldfields.

On 12 September 2016, the Company announced the acquisition of a key tenement (ELA 28/2419) adjacent to its existing Zanthus Project for \$30,000 from a private individual.

WINDWARD RESOURCES LIMITED DIRECTORS' REPORT

No other matters or circumstances have arisen since the end of the period 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 years.

Indemnification of Officers

Windward has agreed to indemnify all directors and executive officers of the Company, against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of Windward, except where the liability has arisen from a wilful breach of duty in relation to the Company. The agreement stipulates that Windward will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid a total of \$8,900 in insurance premiums, relating to Director and Officer insurance, during the financial period.

Proceedings on Behalf of the Company

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

Share Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

| Date of Expiry | Exercise Price | Number under Option |
|-----------------------|-----------------------|----------------------------|
| 27 November 2017 | \$0.206 | 900,000 |
| 1 December 2018 | \$0.0804 | 300,000 |

During the year ended 30 June 2016, no ordinary shares of Windward Resources Limited were issued on the exercise of options. No further shares have been issued as a result of the exercise of options since year end.

Environmental Regulation

The directors are mindful of the regulatory regime in relation to the impact of the organisation's activities on the environment. There have been no known breaches of any environmental regulation by the Company during the financial year.

Future Developments, Prospects and Business Strategies

Windward is a minerals explorer operating within Western Australia. The Company's current focus is to clinically and cost effectively explore its projects for potential ore bodies of economical size and significance. The Company identifies the following likely developments:

Intentions to Develop

Windward is an exploration company with every intention of developing its current, and future, exploration projects. Given the status of the projects, the objectives of developing the projects will be done with the following purpose:

- increasing the Company's geological understanding of current, and future, project portfolios,
- using increased geological understanding to identify potential economic ore bodies, and
- develop the Company's internal capabilities and intellectual property for the purposes of identifying an economic ore body.

New Markets

The Company may in the future decide to enter into new markets; though the Company is currently not assessing any opportunities that may result in the Company entering new markets.

Raise Funds

The Company may, potentially, raise further funds in the event further capital is required to develop the Company's projects.

WINDWARD RESOURCES LIMITED

DIRECTORS' REPORT

Remuneration Report (Audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of Windward.

For the purposes of this report, the term 'executive' encompasses executive director(s), chief executive, senior executives, general managers and secretaries of the Company.

Details of key management:

(i) Directors

| | |
|----------------|------------------------|
| B. Barnes | Executive Chair |
| S. Lowe | Non-Executive Director |
| G. Cameron-Dow | Non-Executive Director |
| S. Fogarty | Non-Executive Director |

(ii) Executives

There were no full time Executives employed by Windward other than the Executive Chair during the financial year.

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives. To this end, Windward provides competitive rewards to attract high calibre executives.

Remuneration Committee

Given the small size of the Board (four directors), it was not considered practical to establish a committee of the Board as a Remuneration Committee. Accordingly the full Board is responsible for determining and reviewing compensation arrangements for the directors and executives. Any Director with a personal interest in a remuneration matter is excused from participating in those discussions and resulting decisions. It is the intention of the Board to establish a Remuneration Committee once the size of the Company increases.

The Board assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality director and executive team.

Remuneration Structure

In accordance with best practice, the structure of non-executive director and executive remuneration is separate and distinct.

WINDWARD RESOURCES LIMITED DIRECTORS' REPORT

Non-Executive Director Remuneration

Objective

The Board aims to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed.

The maximum currently stands at \$300,000 per annum and was approved by shareholders at the annual general meeting on 4 October 2013.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually.

Each non-executive director receives a fee for being a director of Windward.

The remuneration of non-executive director(s) for the year ending 30 June 2016 is detailed in Table 1.

As non-executive director(s) are not expected to be involved in the performance of the Company to the same degree as executive director(s) it is not considered appropriate for their remuneration to be dependent on the satisfaction of performance criteria.

Senior Management and Executive Director Remuneration

Throughout the current and prior financial year, the Board of Directors comprised three non-executive directors with one executive director.

Employment Agreement – Bronwyn Barnes

Bronwyn Barnes worked for the Company in an executive capacity as Executive Chair for the financial year ended 30 June 2016. Under the terms of the agreement, Ms Barnes' annual salary is \$200,000 plus superannuation.

WINDWARD RESOURCES LIMITED DIRECTORS' REPORT

Remuneration Details for the Year Ended 30 June 2016

The following table details the components of remuneration of each KMP of the Company:

Table 1: Benefits and Payments for the year ended 30 June 2016

| | Short Term Benefit | | | Post employment | | Equity | Total | Perform- ance Related % |
|--|--------------------|------------|-----------------------|-----------------|----------------------|----------------|------------------|----------------------------------|
| | Salary & Fees | Cash Bonus | Non Monetary Benefits | Super-annuation | Termination payments | Options | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Non-executive directors | | | | | | | | |
| S. Lowe | \$36,613 | - | - | \$3,479 | - | - | \$40,092 | - |
| G. Cameron-Dow | \$45,846 | - | - | \$4,345 | - | - | \$50,191 | - |
| S. Fogarty | \$37,115 | - | - | \$3,526 | - | \$6,300 | \$46,941 | - |
| Sub-total non-executive directors | \$119,574 | - | - | \$11,350 | - | \$6,300 | \$137,224 | - |
| Executive directors | | | | | | | | |
| B. Barnes | \$188,778 | - | - | \$17,875 | - | - | \$206,653 | - |
| Sub-total executive KMP | \$188,778 | - | - | \$17,875 | - | - | \$206,653 | - |
| Total | \$308,352 | - | - | \$29,225 | - | \$6,300 | \$343,877 | - |

Table 2: Benefits and Payments for the year ended 30 June 2015

| | Short Term Benefit | | | Post employment | | Equity | Total | Perform- ance Related % |
|--|--------------------|------------|-----------------------|-----------------|----------------------|-----------------|------------------|----------------------------------|
| | Salary & Fees | Cash Bonus | Non Monetary Benefits | Super-annuation | Termination payments | Options | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Non-executive directors | | | | | | | | |
| B. Barnes | \$57,878 | - | - | - | - | \$22,500 | \$80,378 | - |
| S. Lowe | \$36,613 | - | - | \$3,479 | - | \$22,500 | \$62,592 | - |
| G. Cameron-Dow | \$33,306 | - | - | - | - | \$22,500 | \$55,806 | - |
| S. Fogarty | - | - | - | - | - | - | - | - |
| Sub-total non-executive directors | \$127,797 | - | - | \$3,479 | - | \$67,500 | \$198,776 | - |
| Executive directors | | | | | | | | |
| D. Frances | \$275,000 | - | - | \$26,125 | \$68,750 | \$6,597 | \$376,472 | - |
| Sub-total executive KMP | \$275,000 | - | - | \$26,125 | \$68,750 | \$6,597 | \$376,472 | - |
| Total | \$402,797 | - | - | \$29,604 | \$68,750 | \$74,097 | \$575,248 | - |

Options granted as part of remuneration

300,000 (2015: 900,000) options were granted to Key Management Personnel as part of their remuneration during the year. The options were not issued based on performance criteria, but are granted to key management personnel of Windward Resources Limited to increase goal congruence with shareholders.

**WINDWARD RESOURCES LIMITED
DIRECTORS' REPORT**

Shareholdings of Key Management Personnel

| | <i>Balance 01-Jul-15</i> | <i>Net Change</i> | <i>Balance 30-June-16</i> |
|------------------|------------------------------|-------------------|-------------------------------|
| Directors | | | |
| B. Barnes | - | - | - |
| S. Lowe | 155,000 | - | 155,000 |
| G. Cameron-Dow | 300,000 | - | 300,000 |
| S. Fogarty | - | - | - |
| Total | 455,000 | - | 455,000 |

| | <i>Balance 01-Jul-14</i> | <i>Net Change</i> | <i>Balance 30-June-15</i> |
|------------------|------------------------------|-------------------|-------------------------------|
| Directors | | | |
| D. Frances | 60,000 | (60,000)* | - |
| B. Barnes | - | - | - |
| S. Lowe | 155,000 | - | 155,000 |
| G. Cameron-Dow | 300,000 | - | 300,000 |
| S. Fogarty | - | - | - |
| Total | 515,000 | (60,000) | 455,000 |

* Balance held at resignation (note: net change does not represent sale of shares)

All equity transactions with directors and executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Option holdings of Key Management Personnel

| | <i>Balance 01-Jul-15</i> | <i>Net Change</i> | <i>Balance 30-June-16</i> |
|------------------|------------------------------|-------------------|-------------------------------|
| Directors | | | |
| B. Barnes | 300,000 | - | 300,000 |
| S. Lowe | 300,000 | - | 300,000 |
| G. Cameron-Dow | 300,000 | - | 300,000 |
| S. Fogarty | - | 300,000 | 300,000 |
| Total | 900,000 | 300,000 | 1,200,000 |

| | <i>Balance 01-Jul-14</i> | <i>Net Change</i> | <i>Balance 30-June-15</i> |
|------------------|------------------------------|--------------------|-------------------------------|
| Directors | | | |
| D. Frances | 2,400,000 | (2,400,000)* | - |
| B. Barnes | - | 300,000 | 300,000 |
| S. Lowe | - | 300,000 | 300,000 |
| G. Cameron-Dow | - | 300,000 | 300,000 |
| S. Fogarty | - | - | - |
| Total | 2,400,000 | (1,500,000) | 900,000 |

* Balance held at resignation (note: net change does not represent sale of options)

WINDWARD RESOURCES LIMITED DIRECTORS' REPORT

Loans to directors and executives

There are no loans to directors or executives at balance date.

Directors' Meetings

The number of directors' meetings and the number of meetings attended by each of the directors of the Company for the time the director held office during the financial year are as follows:

| Director | Directors Meetings |
|------------------------------------|-----------------------|
| Number of Meetings Held | 9 |
| Number of Meetings Attended | |
| Ms Bronwyn Barnes | 9 |
| Mr Stephen Lowe | 9 |
| Mr George Cameron-Dow | 9 |
| Mr Stuart Fogarty | 9 |

Committee Membership

Given the small size of the Board (four directors), it has not been considered practical to establish a committee of the Board as a Remuneration Committee or an Audit Committee. Accordingly the full Board is responsible for determining and reviewing compensation arrangements for the directors and executives, as well as audit and risk matters. It is the intention of the Board to establish a Remuneration Committee and Audit Committee once the size of the Board and the Company operations increase.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability the directors of Windward support and have adhered to the principles of corporate governance except where noted that it is impractical. The Company's corporate governance statements and policies are included on the Company's website.

Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Company's expense obtain independent professional advice to properly discharge their responsibilities.

**WINDWARD RESOURCES LIMITED
DIRECTORS' REPORT**

Non Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

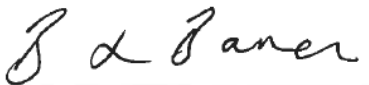
- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year ended, 30 June 2016 no fees were paid to Moore Stephens for non-audit services.

Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors, Moore Stephens Perth to provide the directors of the Company with an Independence Declaration in relation to the audit of the Financial Report. The directors received the Independence Declaration set out on page 13 for the year ended 30 June 2016.

Signed in accordance with a resolution of the directors:



Ms Bronwyn Barnes
Executive Chair

Dated this 22nd day of September 2016

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2 The Esplanade, Perth, WA 6000

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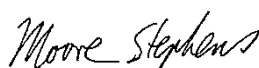
AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF WINDWARD RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii any applicable code of professional conduct in relation to the audit.



Neil Pace
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 22nd day of September 2016

WINDWARD RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd Edition. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. Where the Company does not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

The Board of Directors of Windward Resources Limited is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of Windward Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations. For further information on corporate governance policies adopted by Windward Resources Limited, refer to our website: www.windwardresources.com.au. Date of last review and Board approval: 22 September 2016.

| Principle / Recommendation | Compliance | Reference | Commentary |
|---|------------|---|---|
| Principle 1: Lay solid foundations for management and oversight | | | |
| Recommendation 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. | Yes | Board Charter Code of Conduct, Independent Professional Advice Policy, Website | <p>To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment. The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out those delegated duties.</p> <p>In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company. To assist the Board carry its functions, it has developed a Code of Conduct to guide the Directors.</p> <p>In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.</p> |

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| | | | <p>Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.</p> <ul style="list-style-type: none"> • Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board. • Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company. • Overseeing Planning Activities: the development of the Company’s strategic plan. • Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company as well as ensuring timely and balanced disclosures of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company’s securities. • Monitoring, Compliance and Risk Management: the development of the Company’s risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company. • Company Finances: approving expenses, approving and monitoring acquisitions, divestments, financial and other reporting along with ensuring the integrity of the Company’s financial and other reporting. • Human Resources: reviewing the performance of Executive Officers and monitoring the performance of senior management in their implementation of the Company’s strategy. • Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company’s occupational health and safety systems to ensure the well-being of all employees. • Delegation of Authority: delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board. • Monitoring the effectiveness of the Company’s corporate governance practices. <p>Full details of the Board’s and Company Secretary’s roles and responsibilities are contained in the Board Charter. The Board collectively and each Director has the right to seek independent professional advice at the Company’s expense, by first obtaining approval by the Chair, to assist them to carry out their responsibilities.</p> |
| <p><u>Recommendation 1.2</u> A listed entity should:</p> <p>a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> | <p>Yes</p> | <p>Director Selection Procedure, Website</p> | <p>Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company’s operations. The Company’s current Directors all have relevant experience in the Company’s operations. In addition, Directors should have the relevant blend of personal experience in:</p> <ul style="list-style-type: none"> • Accounting and financial management; and • Director-level business experience. |

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| <p>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.</p> | | | <p>Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.</p> <p>In determining candidates for the Board, the Nomination Committee (refer recommendation 2.1) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.</p> <p>The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting and re-appointment of directors is not automatic.</p> <p>The Nomination Committee is responsible for implementing a program to identify, assess and enhance Director competencies. In addition, the Nomination Committee puts in place succession plans to ensure an appropriate mix of skills, experience, expertise and diversity are maintained on the Board.</p> |
| <p><u>Recommendation 1.3</u> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p> | <p>Yes</p> | <p>Kept at registered office, Independent Professional Advice Policy</p> | <p>Each non-executive director has a written agreement with the Company that covers all aspects of their appointment including term, time commitment required, remuneration, disclosure of interests that may affect independence, guidance on complying with the Company's corporate governance policies and the right to seek independent advice, indemnity and insurance arrangements, rights of access to the Company's information and ongoing confidentiality obligations as well as roles on the Company's committees.</p> <p>Each executive director's agreement with the Company includes the same details as the non-executive directors' agreements but also includes a position description, reporting hierarchy and termination clauses.</p> <p>To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.</p> |
| <p><u>Recommendation 1.4</u></p> | <p>Yes</p> | <p>Board Charter,</p> | <p>Full details of the Board's and Company Secretary's roles and responsibilities are contained in the</p> |

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| <p>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.</p> | | <p>Website</p> | <p>Board Charter.</p> |
| <p><u>Recommendation 1.5</u> A listed entity should:</p> <p>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;</p> <p>b) disclose that policy or a summary of it; and</p> <p>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:</p> <p>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</p> <p>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.</p> | <p>Yes</p> | <p>Diversity Policy, Website</p> | <p>The Company recognises and respects the value of diversity at all levels of the organisation. The Company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation.</p> <p>The Diversity Policy was re-adopted during the year and the Company set the following objectives for the employment of women:</p> <ul style="list-style-type: none"> • to the Board – 25% • to senior management (including Company Secretary) – 50% • to the organisation as a whole – 50% <p>As at the date of this report, the Company has the following proportion of women appointed:</p> <ul style="list-style-type: none"> • to the Board – 25% • to senior management (including Company Secretary) – 20% • to the organisation as a whole – 43% <p>The Company recognises that the mining and exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills will be limited in some instances. The Company recognises that diversity extends to matters of age, disability, ethnicity, marital/family status, religious/cultural background and sexual orientation. Where possible, the Company will seek to identify suitable candidates for positions from a diverse pool.</p> |

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| <p>Recommendation 1.6: A listed entity should:</p> <p>a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | Yes | Board , Committee & Individuals Performance Evaluation Procedure Website | It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the Board and its members was not formally carried out. However, a general review of the Board and executives occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place. |
| <p>Recommendation 1.7: A listed entity should:</p> <p>a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | Yes | Board , Committee & Individuals Performance Evaluation Procedure, Website | It is the policy of the Board to conduct evaluation of individuals' performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place. |
| <p>Principle 2: Structure the board to add value</p> | | | |
| <p>Recommendation 2.1 The Board of a listed entity should:</p> <p>a) have a nomination committee which:</p> <ol style="list-style-type: none"> 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 | No | Nomination Committee Charter, Independent Professional Advice Policy Website | <p>The full Board performs the role of Nomination Committee. The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. The Board as a whole discussed the variation responsibilities of the Committee at a number of Board Meetings through-out the year.</p> <p>The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the Executive Director and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all Directors, who are experienced public company Directors. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, by first receiving approval from the Chair, to assist them to carry out their responsibilities.</p> |

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| <p>attendances of the members at those meetings; or</p> <p>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.</p> | | | |
| <p><u>Recommendation 2.2</u></p> <p>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.</p> | Yes | Kept at registered office | The Company has reviewed the skill set of its Board to determine where the skills lie and any relevant gaps in skills shortages. The Company believes that it currently has a good spread of skills and diversity. If the Board determines there are skill shortages they will seek to identify suitable Board candidates as well as engage professionals and or advisors to assist. |
| <p><u>Recommendation 2.3</u></p> <p>A listed entity should disclose:</p> <p>a) the names of the directors considered by the board to be independent directors;</p> <p>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</p> <p>c) the length of service of each director.</p> | Yes | Board Charter, Independence of Directors Assessment Website | <p>The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. An Independent Director:</p> <ol style="list-style-type: none"> 1. is a Non-Executive Director and; 2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company; 3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment; 4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided; 5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; 6. has no material contractual relationship with the Company or other group member other than as a Director of the Company; 7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and 8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. |

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| | | | <p>Materiality for the purposes of points 1 to 8 above is determined on the basis of both quantitative and qualitative aspects with regard to the independence of Directors. An amount over 5% of the Company's expenditure or 10% of the particular directors annual gross income is considered to be material. A period of more than six years as a Director would be considered material when assessing independence.</p> <p>Bronwyn Barnes (appointed 1 February 2015) is an Executive Director of the Company and does not meet the Company's criteria for independence.</p> <p>Steve Lowe (appointed 15 May 2012) is a Non-Executive Director of the Company and does not meet the Company's criteria for independence, due to his relationship with Mark Creasy and his related entities.</p> <p>George Cameron-Dow (appointed 15 May 2012) is a Non-Executive Director of the Company and meets the Company's criteria for independence.</p> <p>Stuart Fogarty (appointed 25 June 2015) is a Non-Executive Director of the Company and meets the Company's criteria for independence.</p> |
| <p>Recommendation 2.4 A majority of the board of a listed entity should be independent directors.</p> | No | Independence of Directors Assessment, Website | Half the Board is currently independent. The Company is continually evaluating and reviewing the Board structure with an aim to acquiring more independent directors. |
| <p>Recommendation 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.</p> | No | Independence of Directors Assessment, Website | <p>The Chair is not an independent Director who is not the CEO / Managing Director.</p> <p>The Non-Executive Chair has been appointed as an Executive in an interim role. The Board is currently reviewing the continuation of the Executive Chair role and evaluating the possibility of appointing a Managing Director role.</p> |
| <p>Recommendation 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 directors effectively.</p> | Yes | Director Induction Program, Ongoing Education Framework, Website | <p>It is the policy of the Company that each new Director undergoes an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:</p> <ul style="list-style-type: none"> • details of the roles and responsibilities of a Director; • formal policies on Director appointment as well as conduct and contribution expectations; • a copy of the Corporate Governance Statement, Charters, Policies and Memos and • a copy of the Constitution of the Company. <p>In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. The Board has implemented an Ongoing Education Framework.</p> |

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| Principle 3: Act ethically and responsibly | | | |
| <u>Recommendation 3.1</u> A listed entity should: <ul style="list-style-type: none"> a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it. | Yes | Code of Conduct Website | As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. |
| Principle 4: Safeguard integrity in corporate reporting | | | |
| <u>Recommendation 4.1</u> The board of a listed entity should: (a) have an audit committee which: <ul style="list-style-type: none"> a) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and <ul style="list-style-type: none"> 1) is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> 2) the charter of the committee; 3) the relevant qualifications and 4) 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 | No | Audit Committee Charter, Website | <p>The Board has not established a separate Audit Committee, and therefore it is not structured in accordance with Recommendation 4.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee.</p> <p>Items that are usually required to be discussed by an Audit Committee are discussed at a separate meeting when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company’s Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.</p> <p>The Board as a whole met twice during the year and all Board members were in attendance. To assist the Board to fulfil its function as the Audit Committee, the Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee. All of the Directors consider themselves to be financially literate and possess relevant industry experience.</p> |

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| reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. | | | The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board. |
| Recommendation 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. | Yes | Kept at registered office | The Executive Director (Executive Chairman) and Chief Financial Officer (Company Secretary) provide a declaration to the Board in accordance with section 295A of the Corporations Act for each financial report and assure the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. |
| Recommendation 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. | Yes | AGM | The external auditor is required to attend every AGM for the purpose of answering questions from security holders relevant to the audit. |
| Principle 5: Make timely and balanced disclosure | | | |
| Recommendation 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. | Yes | Continuous Disclosure Policy, Website | The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information: 1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and 2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities. |

| Principle 6: Respect the rights of security holders | | | |
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| <p>Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.</p> | Yes | Website Disclosure Policy, Website | <p>The Company's website includes the following:</p> <ul style="list-style-type: none"> • Corporate Governance policies, procedures, charters, programs, assessments, codes and frameworks • Names and biographical details of each of its directors and senior executives • Copies of annual, half yearly and quarterly reports • ASX announcements • Copies of notices of meetings of security holders • Media releases • Overview of the Company's current business, structure and history • Details of upcoming meetings of security holders • Historical market price information of the securities on issue • Contact details for the share registry and media enquiries |
| <p>Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p> | Yes | Shareholder Communication Policy, Website | <p>The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:</p> <ul style="list-style-type: none"> • communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company; • giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; • requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report of Annual Reports. <p>The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.</p> |
| <p>Recommendation 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.</p> | Yes | Shareholder Communication Policy, Website | <p>The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to making it easy for shareholders to participate in shareholder meetings of the Company. The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.</p> |
| <p>Recommendation 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.</p> | Yes | Shareholder Communication Policy, Website | Shareholders are regularly given the opportunity to receive communications electronically. |

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| <p>Principle 7: Recognise and manage risk</p> | | | |
| <p><u>Recommendation 7.1</u> The board of a listed entity should:</p> <p>a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> 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 <p>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.</p> | <p>No</p> | <p>Risk Management Policy Website</p> | <p>The Board has not established a separate Risk Committee, and therefore it is not structured in accordance with Recommendation 7.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the Board performs the role of Risk Committee. Items that are usually required to be discussed by a Risk Committee are discussed at a separate meeting when required. When the Board convenes as the Risk Committee it carries out those functions which are delegated to it in the Company's Risk Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Risk Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.</p> <p>The Board as a whole did not meet as the Risk Committee during the year. Risk identification and risk management discussions occurred during the year. To assist the Board to fulfil its function as the Risk Committee, the Company has adopted a Risk Management Policy.</p> |
| <p><u>Recommendation 7.2</u> The board or a committee of the board should:</p> <p>a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | <p>Yes</p> | <p>Risk Management Policy Website</p> | <p>The Company's Risk Management Policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's Risk Management Strategy are to:</p> <ul style="list-style-type: none"> • identify risks to the Company; • balance risk to reward; • ensure regulatory compliance is achieved; and • ensure senior executives, the Board and investors understand the risk profile of the Company. <p>The Board monitors risk through various arrangements including:</p> <ul style="list-style-type: none"> • regular Board meetings; • share price monitoring; • market monitoring; and • regular review of financial position and operations. |

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| | | | The Company has developed a Risk Register in order to assist with the risk management of the Company. The Company's Risk Management Policy is considered a sound strategy for addressing and managing risk. During the year, the Board reviewed the following categories of risks affecting the Company as part of the Company's systems and processes for managing material business risks: operational, financial reporting, sovereignty and market-related risks. |
| <p>Recommendation 7.3 A listed entity should disclose:</p> <p>a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>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.</p> | No | Audit Committee Charter Website | <p>The Board performs the role of Audit Committee. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter which include overseeing the establishment and implementation by management of a system for identifying, assessing, monitoring and managing material risk throughout the Company, which includes the Company's internal compliance and control systems.</p> <p>Due to the nature and size of the Company's operations, and the Company's ability to derive substantially all of the benefits of an independent internal audit function, the expense of an independent internal auditor is not considered to be appropriate.</p> |
| <p>Recommendation 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.</p> | Yes | Corporate Governance Statement, Risk Management Policy | The Company has considered its economic, environmental and social sustainability risks by way of internal review and has concluded that it is not subject to material economic, environmental and social sustainability risks. |
| Principle 8: Remunerate fairly and responsibly | | | |
| <p>Recommendation 8.1 The board of a listed entity should:</p> <p>a) have a remuneration committee which:</p> <ol style="list-style-type: none"> 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 | No | Remuneration Committee Charter, Independent Professional Advice Policy Website | <p>The Board has not established a separate Remuneration Committee. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter.</p> <p>The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees. The Remuneration Committee did not meet during the financial year ended 30 June 2016, however the Non-Executive Directors did meet to review and consider the continuation of the Executive Chair's contract.</p> <p>The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Executive Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive</p> |

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| <p>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</p> <p>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.</p> | | | <p>Directors, recommendations for remuneration by gender and making recommendations on any proposed changes and undertaking reviews of the Managing Director's performance, including, setting with the Executive Director goals and reviewing progress in achieving those goals. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, with the approval of the Chair, to assist them to carry out their responsibilities.</p> |
| <p><u>Recommendation 8.2</u> 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.</p> | <p>Yes</p> | <p>Remuneration Policy Website</p> | <p>Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Executive Director remuneration is set by the Board with the executive director in question not present. Full details regarding the remuneration of Directors has been included in the Remuneration Report within the Annual Report.</p> |
| <p><u>Recommendation 8.3</u> A listed entity which has an equity-based remuneration scheme should:</p> <p>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</p> <p>b) disclose that policy or a summary of it.</p> | <p>Yes</p> | <p>Remuneration Policy Website</p> | <p>Executives and Non-Executive Directors are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.</p> |

WINDWARD RESOURCES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 \$ | 2015 \$ |
|--|------|---------------------------|---------------------------|
| Revenue | 4(a) | 214,781 | 218,563 |
| Employee expense | 4(b) | (521,169) | (689,431) |
| Exploration and tenement acquisition expense | 4(c) | (1,389,188) | (2,964,298) |
| Corporate finance and administrative expense | 4(d) | <u>(497,945)</u> | <u>(629,323)</u> |
| Loss before income tax | | (2,193,521) | (4,064,489) |
| Income tax expense | 5 | <u>-</u> | <u>-</u> |
| Net loss for the financial year | | (2,193,521) | (4,064,489) |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year | | <u>(2,193,521)</u> | <u>(4,064,489)</u> |
| Basic and diluted loss per share (in cents) | 6 | (2.03) | (4.37) |

The accompanying notes form part of these financial statements

WINDWARD RESOURCES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

| | Note | 2016 \$ | 2015 \$ |
|----------------------------------|------|-------------------------|-------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 5,529,090 | 7,795,048 |
| Trade and other receivables | 8 | 77,680 | 92,423 |
| Other assets | 9 | 10,707 | 8,979 |
| TOTAL CURRENT ASSETS | | <u>5,617,477</u> | <u>7,896,450</u> |
| NON CURRENT ASSETS | | | |
| Plant and equipment | 10 | 176,669 | 227,120 |
| TOTAL NON CURRENT ASSETS | | <u>176,669</u> | <u>227,120</u> |
| TOTAL ASSETS | | <u>5,794,146</u> | <u>8,123,570</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 173,534 | 315,737 |
| TOTAL CURRENT LIABILITIES | | <u>173,534</u> | <u>315,737</u> |
| TOTAL LIABILITIES | | <u>173,534</u> | <u>315,737</u> |
| NET ASSETS | | <u>5,620,612</u> | <u>7,807,833</u> |
| EQUITY | | | |
| Contributed Equity | 12 | 22,437,677 | 22,437,677 |
| Reserves | 13 | 308,840 | 318,610 |
| Accumulated Losses | | <u>(17,125,905)</u> | <u>(14,948,454)</u> |
| TOTAL EQUITY | | <u>5,620,612</u> | <u>7,807,833</u> |

The accompanying notes form part of these financial statements

**WINDWARD RESOURCES LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

| | Note | 2016 \$ | 2015 \$ |
|---|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (1,111,185) | (989,470) |
| Exploration and evaluation expenditure | | <u>(1,323,367)</u> | <u>(2,912,628)</u> |
| Net cash flows from operating activities | 20 | <u>(2,434,552)</u> | <u>(3,902,098)</u> |
| Cash flows from investing activities | | | |
| Interest received | | 168,513 | 136,513 |
| Payments for plant and equipment | | (1,244) | (3,270) |
| Proceeds from sale of plant and equipment | | <u>1,325</u> | <u>-</u> |
| Net cash flows from investing activities | | <u>168,594</u> | <u>133,243</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares in the Company (net of costs) | | <u>-</u> | <u>5,615,618</u> |
| Net cash flows from financing activities | | <u>-</u> | <u>5,615,618</u> |
| Net increase/(decrease) in cash and cash equivalents | | (2,265,958) | 1,846,763 |
| Cash and cash equivalents at the beginning of the year | | 7,795,048 | 5,948,285 |
| Cash and cash equivalents at the end of the year | 7 | <u>5,529,090</u> | <u>7,795,048</u> |

The accompanying notes form part of these financial statements

**WINDWARD RESOURCES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

| | Issued Capital | Accumulated Losses | Reserves | Total |
|---|-------------------|-----------------------|-----------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2014 | 16,822,059 | (10,883,965) | 189,310 | 6,127,404 |
| Loss for the year | - | (4,064,489) | - | (4,064,489) |
| Other comprehensive income | - | - | - | - |
| | - | (4,064,489) | - | (4,064,489) |
| Transactions with equity holders in their capacity as owners | | | | |
| Issue of shares (net of costs) | 5,615,618 | - | - | 5,615,618 |
| Share-based payments | - | - | 129,300 | 129,300 |
| Total transactions with equity holders in their capacity as owners | 5,615,618 | - | 129,300 | 5,744,918 |
| Balance at 30 June 2015 | 22,437,677 | (14,948,454) | 318,610 | 7,807,833 |
| Balance at 1 July 2015 | 22,437,677 | (14,948,454) | 318,610 | 7,807,833 |
| Loss for the year | - | (2,193,521) | - | (2,193,521) |
| Other comprehensive income | - | 16,070 | (16,070) | - |
| | - | (2,177,451) | (16,070) | (2,193,521) |
| Transactions with equity holders in their capacity as owners | | | | |
| Issue of shares (net of costs) | - | - | - | - |
| Share-based payments | - | - | 6,300 | 6,300 |
| Total transactions with equity holders in their capacity as owners | - | - | 6,300 | 6,300 |
| Balance at 30 June 2016 | 22,437,677 | (17,125,905) | 308,840 | 5,620,612 |

The accompanying notes form part of these financial statements

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. CORPORATE INFORMATION

The financial report of Windward Resources Limited (“Company”) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 22 September 2016.

Windward Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

(b) New Accounting Standards for Application in Future Periods

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

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

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of this Standard, the application of such accounting would be largely prospective.

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

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The core principle of the Standard is that an entity will recognise 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 the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).
When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(c) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

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

Information about other business activities and operating segments that do not meet the quantitative criteria set out in AASB 8 "Operating Segments" are combined and disclosed in a separate category called "other".

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(d) Interest in Jointly Controlled Assets

The Company had an interest in a Farm-in and Joint Venture (“Joint Venture”), whereby the Company had a contractual arrangement that establishes the right, but not obligation, to earn an economic interest in the Tenements held by the Company’s counterparty to the Farm-in and Joint Venture.

The Company recognised its interest in the Joint Venture using the proportionate consolidated method. The Company combined its proportionate share of each of all assets, liabilities, income and expenses incurred under the Joint Venture with similar items, line by line, in its financial statements.

(e) Exploration and Evaluation Assets

Exploration and evaluation expenditure in relation to the Company’s mineral tenements is expensed as incurred. When the Directors decide to progress the development of an area of interest all further expenditure incurred relating to the area will be capitalised. Projects are advanced to development status and classified as mine development when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest. Such expenditure is carried forward up to commencement of production at which time it is amortised over the life of the economically recoverable reserves. All projects are subject to detailed review on an annual basis and accumulated costs written off to the extent that they will not be recoverable in the future.

(f) Plant and Equipment

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

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

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. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset’s useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Plant and equipment | 5% –50% |

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

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

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand.

(h) Trade and Other Receivables

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

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

(i) Trade and Other Payables

Liability for trade creditors and other amounts are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed.

(j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

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

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(k) Income Tax

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

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

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(I) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

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

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

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

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments other than loans receivables and financial liabilities. The Company does not currently hold any other classification of financial assets.

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

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

(ii) 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

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

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

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

Impairment

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

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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

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

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

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(m) Impairment of Assets

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

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

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

(n) Other Taxes (Goods and Services Tax)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cashflows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Loss Per Share

Basic loss per share is calculated as the net loss attributable to members of Windward, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as the net loss attributable to members of Windward, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(p) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(q) Employee Benefits

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

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the Statement of Financial Position. The Company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Statement of Financial Position.

Equity-settled compensation

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

(r) Critical Accounting Estimates and Judgments

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

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 14.

For equity transactions with consultants and other employees, the fair value reflects the value attributable to services where applicable. Where there is no quantifiable value of services the value of options is calculated using the Black-Scholes option pricing model.

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3. SEGMENT INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources. The Company has one main operating segment being exploration for mineral resources in Australia.

Business Segments

| | Exploration | Other | Total |
|---|-------------|-------------|-------------|
| | \$ | \$ | \$ |
| Year ended 30 June 2016 | | | |
| Segment Revenue | | | |
| Segment revenue from external parties | 45,875 | 168,906 | 214,781 |
| Total Segment Revenue | 45,875 | 168,906 | 214,781 |
| Segment Result | (1,343,313) | (850,208) | (2,193,521) |
| Segment total assets | 169,032 | 5,625,114 | 5,794,146 |
| Segment total liabilities | (83,005) | (90,529) | (173,534) |
| Capital expenditure | (1,244) | - | (1,244) |
| Segment depreciation & amortisation | (47,343) | (769) | (48,112) |
| Segment Cash Flow | | | |
| Net cash flow from operating activities | (1,323,367) | (1,111,185) | (2,434,552) |
| Net cash flow from investing activities | 81 | 168,513 | 168,594 |
| Net cash flow from financing activities | - | - | - |
| Year ended 30 June 2015 | | | |
| Segment Revenue | | | |
| Segment revenue from external parties | 62,665 | 155,898 | 218,563 |
| Total Segment Revenue | 62,665 | 155,898 | 218,563 |
| Segment Result | (2,964,298) | (1,100,191) | (4,064,489) |
| Segment total assets | 218,716 | 7,904,854 | 8,123,570 |
| Segment total liabilities | (53,252) | (262,485) | (315,737) |
| Capital expenditure | (3,270) | - | (3,270) |
| Segment depreciation & amortisation | (59,141) | (766) | (59,907) |
| Segment Cash Flow | | | |
| Net cash flow from operating activities | (2,912,628) | (989,470) | (3,902,098) |
| Net cash flow from investing activities | (3,270) | 136,513 | 133,243 |
| Net cash flow from financing activities | - | 5,615,618 | 5,615,618 |

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those of the Company disclosed in Note 2.

4. REVENUES AND EXPENSES

| | 2016 | 2015 |
|---|------------------|------------------|
| | \$ | \$ |
| (a) Revenue | | |
| Interest revenue | 168,906 | 155,898 |
| Other income | 45,875 | 62,665 |
| | <u>214,781</u> | <u>218,563</u> |
| | | |
| (b) Employee expense | | |
| Directors fees and employee wages | 424,291 | 458,043 |
| Superannuation | 76,915 | 87,562 |
| Payroll tax expense | 13,663 | 14,526 |
| Share based payment expense | 6,300 | 129,300 |
| | <u>521,169</u> | <u>689,431</u> |
| | | |
| (c) Exploration and tenement acquisition expense | | |
| General exploration | 1,152,136 | 2,098,608 |
| Tenement rent and administration | 237,052 | 865,690 |
| | <u>1,389,188</u> | <u>2,964,298</u> |
| | | |
| (d) Corporate finance and administrative expense | | |
| Corporate overheads | 232,391 | 281,500 |
| Insurance | 25,968 | 21,508 |
| General office administration | 70,150 | 104,650 |
| Depreciation | 48,112 | 59,907 |
| Rent and outgoings | 121,324 | 161,758 |
| | <u>497,945</u> | <u>629,323</u> |

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

5. INCOME TAX

Major components of income tax expense are:

| Income Statement | 2016 \$ | 2015 \$ |
|--|-------------------|-------------------|
| Income tax expense reported in the Statement of Profit and Loss and Other Comprehensive Income | - | - |

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

| | 2016 \$ | 2015 \$ |
|---|-------------------|-------------------|
| Net loss before income tax expense | (2,193,521) | (4,064,489) |
| Prima facie tax calculated at 30% (2015: 30%) | (658,056) | (1,219,347) |
| Non-deductible expenses | 1,550 | 40,724 |
| Current year tax losses not recognised | 905,930 | 1,314,053 |
| Temporary differences not recognised | (136,773) | (22,779) |
| Deductible equity raising costs | (112,651) | (112,651) |
| Income tax expense | - | - |

| | 2016 \$ | 2015 \$ |
|----------------------------------|-------------------|-------------------|
| Unrecognised deferred tax assets | | |
| Deductible temporary differences | 1,944,529 | 2,193,953 |
| Revenue losses | 3,657,713 | 2,751,783 |
| | <u>5,602,242</u> | <u>4,945,736</u> |

Availability of Tax Losses

The availability of the tax losses for future periods is uncertain and will be dependent on the Company satisfying strict requirements with respect to continuity of ownership and the same business test imposed by income tax legislation.

The recoupment of available tax losses as at 30 June 2016 is contingent upon the following:

- (a) the Company deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- (b) the conditions for deductibility imposed by income tax legislation continuing to be complied with; and
- (c) there being no changes in income tax legislation which would adversely affect the Company from realising the benefit from the losses.

Given the Company is currently in a loss making position, a deferred tax asset has not been recognised with regard to unused tax losses, as it has not been determined that the Company will generate sufficient taxable profit against which the unused tax losses can be utilised.

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the net loss and share data used in the basic and diluted loss per share computations:

| | 2016 | 2015 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Net loss from continuing operations | <u>(2,193,521)</u> | <u>(4,064,489)</u> |
| Weighted average number of ordinary shares for basic and diluted loss per share | 108,057,031 | 93,098,127 |
| Basic and diluted loss per share (in cents) | (2.03) | (4.37) |

There have been no transactions, that have completed or will complete, involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the balance date and the date of these financial statements. See *Significant Events after Balance Date (Note 21)* for more information.

7. CASH AND CASH EQUIVALENTS

| | 2016 | 2015 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and in hand | <u>5,529,090</u> | <u>7,795,048</u> |

Cash at bank and in hand earns interest at floating rates based on daily at call bank deposit and savings rates.

8. TRADE AND OTHER RECEIVABLES (CURRENT)

| | 2016 | 2015 |
|-------------------|---------------|---------------|
| | \$ | \$ |
| Other receivables | <u>77,680</u> | <u>92,423</u> |

Other receivables are non-interest bearing and are generally on 30 – 90 day terms.

Other receivables are neither impaired nor past due. It is expected that these balances will be received when due.

9. OTHER ASSETS (CURRENT)

| | 2016 | 2015 |
|-------------|---------------|--------------|
| | \$ | \$ |
| Prepayments | <u>10,707</u> | <u>8,979</u> |

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10. PLANT AND EQUIPMENT

| | 2016 | 2015 |
|-------------------------------|----------------|----------------|
| | \$ | \$ |
| Plant and equipment – at cost | 329,681 | 333,440 |
| Accumulated depreciation | (153,012) | (106,320) |
| | <u>176,669</u> | <u>227,120</u> |

Plant and equipment – at cost

| | | |
|----------------------|----------------|----------------|
| At beginning of year | 227,120 | 283,757 |
| Additions | 1,244 | 3,270 |
| Disposals | (3,583) | - |
| Depreciation | (48,112) | (59,907) |
| At end of year | <u>176,669</u> | <u>227,120</u> |

11. TRADE AND OTHER PAYABLES

| | 2016 | 2015 |
|----------------|----------------|----------------|
| | \$ | \$ |
| Trade payables | 110,152 | 83,415 |
| Other payables | 63,382 | 232,322 |
| | <u>173,534</u> | <u>315,737</u> |

Trade payables and other payables are non-interest bearing and are normally settled on 30 to 60 day terms. Other payables are non-interest bearing and have an average term of 45 days.

12. CONTRIBUTED EQUITY

| | 2016 | 2015 |
|-----------------------|-------------------|-------------------|
| | \$ | \$ |
| Ordinary shares | | |
| Issued and fully paid | <u>22,437,677</u> | <u>22,437,677</u> |

| | 2016 | | 2015 | |
|--------------------------------------|--------------------|-------------------|--------------------|-------------------|
| | <i>Number</i> | \$ | <i>Number</i> | \$ |
| Movement in ordinary shares on issue | | | | |
| At beginning of period | 108,057,031 | 22,437,677 | 88,057,031 | 16,822,059 |
| Issue of shares – private placement | - | - | 20,000,000 | 6,000,000 |
| Transaction costs | - | - | - | (384,382) |
| At end of year | <u>108,057,031</u> | <u>22,437,677</u> | <u>108,057,031</u> | <u>22,437,677</u> |

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

13. RESERVES

| | 2016 | 2015 |
|--|-------------|-------------|
| | \$ | \$ |
| Share-based payment reserve | 308,840 | 318,610 |
| Movement in share-based payment reserve | | |
| At beginning of period | 318,610 | 189,310 |
| Options expense for the year | 6,300 | 129,300 |
| Transferred to accumulated losses | (16,070) | - |
| At end of period | 308,840 | 318,610 |

Share-based payment reserve

The share based payments reserve arises on the grant of share options to directors, executives and senior employees as part of their remuneration and to consultants for services provided. Further information about share-based payments to employees is made in Note 14 to the financial statements.

14. SHARE-BASED PAYMENTS

The following share based payments were in existence during the year:

| | 2016 | 2015 |
|---|-------------|-------------|
| | \$ | \$ |
| On 4 October 2013, 500,000 unlisted options exercisable at \$0.40 on or before 1 July 2016 (Tranche 2) were granted to the Managing Director, vesting on completion of 12 months employment | - | 207 |
| On 4 October 2013, 500,000 unlisted options exercisable at \$0.40 on or before 1 July 2018 (Tranche 3) were granted to the Managing Director, vesting on exercise of \$0.25 options | - | 2,789 |
| On 4 October 2013, 500,000 unlisted options exercisable at \$0.60 on or before 1 July 2018 (Tranche 4) were granted to the Managing Director, vesting on exercise of \$0.40 options | - | 2,388 |
| On 4 October 2013, 500,000 unlisted options exercisable at \$0.80 on or before 1 July 2018 (Tranche 5) were granted to the Managing Director, vesting on exercise of \$0.40 options | - | 1,212 |
| On 17 March 2014, 1,030,000 unlisted options exercisable at \$0.40 on or before 1 September 2016 were granted to Employees, vesting on completion of 12 months employment | - | 51,343 |
| On 17 March 2014, 800,000 unlisted options exercisable at \$0.50 on or before 1 September 2016 were granted to Employees, vesting on achievement of 250oz or equivalent JORC resource | - | 3,861 |
| On 21 November 2014, 900,000 unlisted options exercisable at \$0.206 on or before 27 November 2017 were granted to directors | - | 67,500 |
| On 26 November 2015, 300,000 unlisted options exercisable at \$0.0804 on or before 1 December 2018 were granted to a director (a) | 6,300 | - |

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Fair value of shares options issued during the year ended 30 June 2016:

(a) The options were deemed to have a fair value of \$0.021 per option. This value was calculated using the Black-Scholes option pricing model applying the following inputs:

| | |
|---------------------------|----------|
| Share price | \$0.0053 |
| Exercise price | \$0.0804 |
| Expected volatility | 80% |
| Risk-free interest rate | 3.00% |
| Annualised time to expiry | 3.00 |

A summary of the movements of all unlisted options granted is as follows:

| | Number | Weighted Average Exercise Price (\$) |
|---|------------------|---|
| Options outstanding as at 30 June 2014 | 4,230,000 | 0.48 |
| Granted | 900,000 | 0.206 |
| Exercised | - | - |
| Expired | - | - |
| Cancelled | 150,000 | 0.40 |
| Options outstanding as at 30 June 2015 | <u>4,980,000</u> | <u>0.43</u> |
| Granted | 300,000 | 0.0804 |
| Exercised | - | - |
| Expired | - | - |
| Cancelled | 3,180,000 | 0.48 |
| Options outstanding as at 30 June 2016 | <u>2,100,000</u> | <u>0.30</u> |

As at 30 June 2016, 1,600,000 (2015: 2,680,000) unlisted options have vested and are exercisable.

15. DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Remuneration of Key Management Personnel

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

The totals of remuneration paid to the KMP of the Company during the year are as follows:

| | 2016 | 2015 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 308,352 | 402,797 |
| Post-employment benefits | 29,225 | 29,604 |
| Termination benefits | - | 68,750 |
| Share-based payments | 6,300 | 74,097 |
| | <u>343,877</u> | <u>575,248</u> |

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. RELATED PARTY DISCLOSURE

There were no related party transactions other than those disclosed in note 15.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise receivables, payables and cash which arise directly from its operations.

The Company manages its exposure to key financial risks, in accordance with its financial risk management policy. The objective of the policy is to support the delivery of financial targets whilst protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Risk Exposures and Responses

Interest rate risk

The Company generates income from interest on surplus funds.

At balance date, the Company had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

| | 2016 | 2015 |
|---------------------------|------------------|------------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash and cash equivalents | 5,529,090 | 7,795,048 |
| Net exposure | <u>5,529,090</u> | <u>7,795,048</u> |

The Company periodically analyses its interest rate exposure. Within this analysis consideration is given to alternative financing, hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The reasonably possible changes in interest rates used below were derived by reference to the maximum movement in historical interest rates per year over the last 10 years.

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

Judgments of reasonably possible movements (based on historical yearly movements in interest rates):

| | Net Profit | | Equity | |
|-------------------------|------------------------|-------------|------------------------|-------------|
| | Higher/ (Lower) | | Higher/ (Lower) | |
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Average Balance | \$6,662,069 | \$6,871,667 | \$6,662,069 | \$6,871,667 |
| +1% (100 basis points) | \$66,621 | \$68,717 | \$66,621 | \$68,717 |
| -0.5% (50 basis points) | (\$33,310) | (\$34,358) | (\$33,310) | (\$34,358) |

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's potential concentration of credit risk consists mainly of cash deposits with banks. The Company's short term cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by the carrying value as at the balance sheet date. The Company considers the credit standing of counterparties when making deposits to manage the credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company holds the majority of its financial assets as cash deposits and has minimal liabilities hence does not have any material liquidity risk at year end.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial liabilities as at 30 June 2016. Cash flows for financial liabilities with fixed amount or timing are presented with their respective discounted cash flows for the respective upcoming fiscal years.

The remaining contractual maturities of the Company's financial liabilities are:

| | 2016 | 2015 |
|-------------------------|-------------|-------------|
| | \$ | \$ |
| <i>6 months or less</i> | 173,534 | 315,737 |
| | 173,534 | 315,737 |

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Maturity analysis of financial assets and liabilities based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. To monitor existing financial assets and liabilities as well as to enable effective control of future risks, the Company has established risk reporting processes covering its business units that reflect expectations of management of expected settlement of financial assets and liabilities.

| 2016 | ≤6 months | 6-12 months | 1-5 years | >5 years | Total |
|------------------------------|------------------|------------------------|------------------|--------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | |
| Cash and cash equivalents | 5,529,090 | - | - | - | 5,529,090 |
| Trade and other receivables | 77,680 | - | - | - | 77,680 |
| Financial Liabilities | | | | | |
| Trade and other payables | (173,534) | - | - | - | (173,534) |
| Net maturity | 5,433,236 | - | - | - | 5,433,236 |
| <hr/> | | | | | |
| 2015 | ≤6 months | 6-12 months | 1-5 years | >5 years | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | |
| Cash and cash equivalents | 7,795,048 | - | - | - | 7,795,048 |
| Trade and other receivables | 92,423 | - | - | - | 92,423 |
| Financial Liabilities | | | | | |
| Trade and other payables | (315,737) | - | - | - | (315,737) |
| Net maturity | 7,571,734 | - | - | - | 7,571,734 |

The Company monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

Fair values

Fair values of financial assets and liabilities are equivalent to carrying values due to their short terms to maturity.

18. COMMITMENTS

Office Rent

The Company is party to a property lease for its office located at 8 Kings Park Road, West Perth. The lease is non-cancellable with a one-year term expiring on 31 August 2016, at which point the lease will become a rolling monthly agreement.

| | | |
|--|-------------|-------------|
| Non-cancellable operating leases contracted for but not recognised in the financial statements | 2016 | 2015 |
| | \$ | \$ |
| Payable – minimum lease payments: | | |
| – not later than 12 months | 7,283 | 106,496 |

Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the relevant authorities. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

| | | |
|----------------------------|-------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| – not later than 12 months | 1,740,271 | 3,099,000 |

WINDWARD RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19. AUDITORS' REMUNERATION

| | 2016 | 2015 |
|--|-------------|-------------|
| | \$ | \$ |
| Remuneration of the auditor for: | | |
| - Auditing or reviewing the financial statements | 21,500 | 20,700 |
| | 21,500 | 20,700 |

20. CASHFLOW INFORMATION

| | 2016 | 2015 |
|--|-------------|-------------|
| | \$ | \$ |
| a. Reconciliation from the net loss after tax to the net cash flows from operations | | |
| Net loss | (2,193,521) | (4,064,489) |
| <i>Adjustments for:</i> | | |
| Depreciation | 48,112 | 59,907 |
| Interest received (included in investing activities) | (168,513) | (136,513) |
| Share based payments | 6,300 | 129,300 |
| <i>Changes in assets and liabilities:</i> | | |
| (Increase)/decrease in trade and other receivables | 15,136 | (19,319) |
| (Increase)/decrease in other assets | (1,728) | 40,103 |
| (Decrease)/increase in trade and other payables | (140,338) | 88,913 |
| Net cash from operating activities | (2,434,552) | (3,902,098) |

21. EVENTS AFTER THE BALANCE SHEET DATE

On 2 September 2016, the Company announced that 400,000 options exercisable at \$0.40 and 500,000 options exercisable at \$0.50 expired unexercised.

On 8 September 2016, the Company announced Eastern Goldfields Limited is to become a cornerstone shareholder in Windward via a \$2.2M share placement at 12 cents per share ("Subscription Price"), subject to shareholder approval.

Contemporaneously with the issue of shares under the placement, Windward has also agreed to issue to Eastern Goldfields two tranches of unlisted options, comprising 9 million options exercisable at 125% of the Subscription Price within 18 months of their issue, and 9 million options exercisable at 166% of the Subscription Price within 30 months of their issue.

Following completion of the share placement and post shareholder approval, Eastern Goldfields has agreed to underwrite a non-renounceable pro rata entitlement offer to raise a further \$3.8 million, to be undertaken on a 1 for 4 basis at an issue price per share equivalent to the Subscription Price plus free attaching options equivalent to the options to be issued to Eastern Goldfields under the placement. The entitlement offer will give all existing Windward shareholders the opportunity to participate in this capital raising at the same price as Eastern Goldfields.

On 12 September 2016, the Company announced the acquisition of a key tenement (ELA 28/2419) adjacent to its existing Zanthus Project for \$30,000 from a private individual.

No other matters or circumstances have arisen since the end of the period 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 years.

22. CONTINGENT LIABILITIES

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

**WINDWARD RESOURCES LIMITED
DIRECTORS' DECLARATION**


In accordance with a resolution of the directors of Windward Resources Limited, I state that:

1. In the opinion of the directors:

- (a) the financial statements, notes and additional disclosures included in the Directors' Report designated as audited by the company and of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and the Company's financial position as at 30 June 2016 and of their performance for the year ended on that date.
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*.
- (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.

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

Signed in accordance with a resolution of the Board of Directors:



Ms Bronwyn Barnes
Executive Chair

Dated this 22nd day of September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WINDWARD RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Windward Resources Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the 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 (IFRS).

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

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

Report on the Remuneration Report

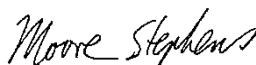
We have audited the remuneration report as included in the Directors' Report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to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

Auditor's Opinion

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



Neil Pace
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 22nd day of September 2016

WINDWARD RESOURCES LIMITED SHAREHOLDER INFORMATION

The 20 largest registered holders of each class of security as at 31 August 2016 were:

| Rank | Name | Shares held | % |
|------|---|-------------------|----------------|
| 1 | LAKE RIVERS GOLD PTY LTD | 15,708,595 | 14.537 |
| 2 | YANDAL INVESTMENTS PTY LTD | 10,875,000 | 10.064 |
| 3 | PERTH SELECT SEAFOODS PTY LTD | 6,000,000 | 5.553 |
| 4 | MR DENIS PATRICK WADDELL & MRS FRANCINE LOUISE WADDELL <DP WADDELL S/F A/C> | 2,650,000 | 2.452 |
| 5 | MR GEORGE MANIOS | 2,315,000 | 2.142 |
| 6 | JEMAYA PTY LTD <JH FEATHERBY SUPER FUND A/C> | 2,175,000 | 2.013 |
| 7 | VICEX HOLDINGS PROPRIETARY LIMITED <VICEX SUPER A/C> | 1,899,143 | 1.758 |
| 8 | MR MARTY HENG LAU | 1,700,000 | 1.573 |
| 9 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 1,635,818 | 1.514 |
| 10 | NBX PTY LTD | 1,483,488 | 1.373 |
| 11 | MR MICHAEL LYNCH & MRS SUSAN LYNCH | 1,175,000 | 1.087 |
| 12 | BERENES NOMINEES <BERENES SUPER FUND A/C> | 1,000,000 | 0.925 |
| 13 | CEN PTY LTD | 1,000,000 | 0.925 |
| 14 | CHIFLEY PORTFOLIOS PTY LIMITED <DAVID HANNON A/C> | 1,000,000 | 0.925 |
| 15 | HAY STREET PROPERTY PTY LTD | 1,000,000 | 0.925 |
| 16 | BLUEDALE PTY LTD <COMB SUPER FUND A/C> | 1,000,000 | 0.925 |
| 17 | PONTON MINERALS PTY LTD | 897,563 | 0.831 |
| 18 | SOUTHERN CROSS CAPITAL PTY LTD | 850,000 | 0.787 |
| 19 | GOLDFIRE ENTERPRISES PTY LTD | 820,000 | 0.759 |
| 20 | TRADE HOLDINGS PTY LYD <K H & R M ALLISTER S/F A/C> | 700,000 | 0.648 |
| | | 55,884,607 | 51.718% |

| Shares Range | Holders | Units | % |
|--------------------|------------|--------------------|----------------|
| 1 - 1,000 | 24 | 3,973 | 0.004% |
| 1,001 - 5,000 | 97 | 332,122 | 0.307% |
| 5,001 - 10,000 | 176 | 1,614,086 | 1.494% |
| 10,001 - 100,000 | 440 | 18,946,890 | 17.534% |
| 100,001 - >100,001 | 141 | 87,159,960 | 80.661% |
| | 878 | 108,057,031 | 100.00% |

There were 123 holders of less than a marketable parcel of ordinary shares.

Listed Options:

Nil

Unlisted Options:

| Date of Expiry | Exercise Price | Number under Option | Holders |
|------------------|----------------|---------------------|---------|
| 27 November 2017 | \$0.206 | 900,000 | 3 |
| 1 December 2018 | \$0.0804 | 300,000 | 1 |

WINDWARD RESOURCES LIMITED SHAREHOLDER INFORMATION

Voting Rights

The voting rights attaching to ordinary shares are:

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

Substantial Shareholders

| | Ordinary Shares | Voting Power |
|-------------------------------|--------------------|--------------|
| Lake Rivers Gold Pty Ltd | 15,708,595 | 14.537% |
| Yandal Investment Pty Ltd | 10,875,000 | 10.064% |
| Perth Select Seafoods Pty Ltd | 6,000,000 | 5.553% |

Schedule of Tenements as at 31 August 2016

| TENEMENT | PROJECT | LOCATION | HOLDING (%) | JOINT VENTURE PARTNER |
|-----------|--------------------|---------------|-------------|-----------------------------|
| E 70/3113 | Fraser Range South | Frankland | 70% | CREASY, MARK GARETH |
| E 70/3114 | Fraser Range South | Cranbrook | 70% | CREASY, MARK GARETH |
| E 70/3115 | Fraser Range South | Borden | 70% | CREASY, MARK GARETH |
| E 70/3117 | Fraser Range South | Jerramungup | 70% | CREASY, MARK GARETH |
| E 70/4068 | Fraser Range South | Mt Barker | 70% | NBX PTY LTD |
| E 70/4105 | Fraser Range South | Nunijup | 70% | GREAT SOUTHERN GOLD PTY LTD |
| E 70/4495 | Fraser Range South | Kendenup West | 70% | NBX PTY LTD |
| E 69/2989 | Fraser Range North | Fraser Range | 70% | PONTON MINERALS PTY LTD |
| E 28/1711 | Fraser Range North | Zanthus | 70% | LAKE RIVERS GOLD PTY LTD |
| E 28/1712 | Fraser Range North | Zanthus | 70% | LAKE RIVERS GOLD PTY LTD |
| E 28/1713 | Fraser Range North | Fraser Range | 70% | LAKE RIVERS GOLD PTY LTD |
| E 28/1715 | Fraser Range North | Fraser Range | 70% | LAKE RIVERS GOLD PTY LTD |
| E 28/2017 | Fraser Range North | Fraser Range | 70% | PONTON MINERALS PTY LTD |
| E 69/2990 | Fraser Range North | Fraser Range | 70% | PONTON MINERALS PTY LTD |
| E28/2459 | Fraser Range North | Zanthus | 100% | N/A |
| E28/2458 | Fraser Range North | Zanthus | 100% | N/A |
| E28/2613 | Fraser Range North | Symons Hill | 0% | N/A |