



Mount Magnet South Limited

(formerly Mount Magnet South NL)

ACN 096 635 246

(to be renamed Impression Healthcare Limited)

Annual Financial Report

For the year ended 30 June 2016

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CORPORATE INFORMATION

Mount Magnet South Limited
A.B.N. 93 096 635 246

Directors

Alec Pismiris (Non-Executive Chairman)
David Leavy (Non-Executive Director)
Michael Fennell (Non-Executive Director)

Company Secretary

Robert Marusco

Registered Office

Suite 5, Level 3
9 Bowman Street
South Perth Western Australia 6151
+61 (8) 9217 2400

Principal Place of Business

Suite 5, Level 3
9 Bowman Street
South Perth Western Australia 6151

Share Register

Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross Western Australia 6153
+61 (8) 9315 2333

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth Western Australia 6000

Securities Exchange Listing

ASX Limited (Australian Securities Exchange)
Home Exchange: Perth Western Australia
ASX Codes: MUM, MUMOA

CHAIRMAN'S LETTER

I am pleased to present the Annual Report for Mount Magnet South Limited (Company) for the year ended 30 June 2016.

During the year the Company completed the sale of the Kirkalocka Gold Project to Minjar Gold Pty Ltd. The Company received funds of \$1,861,825 (inclusive of GST) as settlement of the sale. As part of the transaction Minjar also paid \$1,000,000 to Newcrest Mining Limited in accordance with the terms of an agreement with Equigold. The payment to Newcrest was triggered as a result of the disposal of the Kirkalocka Plant.

The Company devoted considerable efforts toward identifying new investment opportunities which concluded when the Company entered into an agreement with various parties to acquire the entire issued share capital of Gameday International Pty Ltd (Gameday).

Gameday is a private Australian company that operates as a manufacturer and distributor of professionally made home-impression custom-fit mouthguards. Gameday aims to disrupt the mouthguard market in Australia by providing consumers a more cost-effective and convenient method of purchasing a mouthguard and has developed a business plan whereby customers are able to take an impression of their mouth with a home impression kit provided by Gameday, when and where they wish, post the impression back to Gameday using pre-paid packaging (provided with the home impression kit) and receive a custom-fit mouthguard within nine business days.

Subsequent to the year end the Company obtained shareholder approval for the Gameday acquisition and a Prospectus for a public offer of up to 37,500,000 Shares at an issue price of \$0.08 each to raise up to \$3,000,000 (before costs) was lodged with ASIC on 25 August 2016. The funds raised will be used to, among other things, satisfy the working capital requirements for the Company's expanded business, allow the Company to re-complying with Chapters 1 and 2 of the Listing Rules as a result of the change and scale of the Company's activities and allow the Company to investigate opportunities to expand its product offering to include additional oral appliances.

Completion of the Gameday acquisition is expected to occur in early October 2016 with re-quotation of the Company's securities on the official list of ASX shortly thereafter. The Company will restructure its Board and change its name to Impression Healthcare Limited to reflect the future operations of the Company.

I would like to thank the Board and the Company's consultants for their work during the year which contributed to the sale of the Kirkalocka Gold Project and acquisition of Gameday. I would also like to thank all shareholders for their on-going support. I and the Gameday team look forward to the challenge of developing the Gameday business into a leading manufacturer and distributor of custom-fit mouthguards and complementary dental products.



Alec Pismiris
Chairman

DIRECTORS' REPORT

Your directors submit the annual financial report of Mount Magnet South Limited ("**MMS**" or "**the Company**") and its wholly owned subsidiary ("**the Group**") for the financial year ended 30 June 2016 ("**Balance Date**"). In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Names, qualifications, experience and special responsibilities and other directorships

Alec Pismiris B. Comm., MAICD, AGIA (Non-Executive Chairman)
Appointed 2 August 2013

Mr Pismiris is currently a Director of Corporate Finance with Somers and Partners Pty Ltd, a company which provides corporate advisory services. Mr Pismiris holds a Bachelor of Commerce, is a member of the Australian Institute of Company Directors and is an associate of The Governance Institute of Australia. Mr Pismiris has over 30 years' experience in the securities, finance and mining industries. Mr Pismiris has participated numerous times in the processes by which boards have assessed the acquisition and financing of a diverse range of assets and has participated in and become familiar with the range of evaluation criteria used and the due diligence processes commonly adopted in the commercial assessment of corporate opportunities.

Other Current Directorships:

Agrimin Limited (appointed October 2013 to present)
Aguia Resources Limited (appointed March 2015 to present)
HotCopper Holdings Limited (appointed April 2016 to present)
Pelican Resources Limited (appointed March 2015 to present)

Former Directorships in the last 3 years:

Cardinal Resources Limited (appointed November 2010 to November 2015)
Papillon Resources Limited (May 2006 to October 2014)

David Leavy B. Ec., MAPFin. (Non-Executive Director)
Appointed 22 December 2014

Mr Leavy has 25 years' experience in debt and equity finance, corporate development and financial markets. He has previously held senior executive positions for African and Australian focused mining companies, responsible for corporate development, internal controls, acquisitions, governance, commercial, legal and financial risk management. Mr Leavy acted as advisor to Allotropes Diamonds, providing advice on funding the development of their Sierra Leone diamond project, resulting in their acquisition by Newfield Resources Ltd.

Other Current Directorships: None

Former Directorships in the last 3 years: None

DIRECTORS' REPORT (CONTINUED)

(Directors continued)

Michael Fennell B. Comm. (Non-Executive Director)

Appointed 22 December 2014

Mr Fennell is currently a Director of Corporate Finance with Somers and Partners Pty Ltd, a company which provides corporate advisory services. Mr Fennell has until recently been in the stockbroking industry since 2008. Mr Fennell's role as an Investment Adviser included providing advice to high net worth investors and private clients. Mr Fennell has completed a Bachelor of Commerce in Accounting and Finance from the University of Notre Dame. Mr Fennell also served in the Australian Defence Force for 10 years.

Other Current Directorships: None

Former Directorships in the last 3 years: None

Company Secretary

Shaun Menezes

Appointed 6 November 2014

Resigned 21 June 2016

Robert Marusco

Appointed 21 June 2016

Mr Marusco is a Certified Practicing Accountant in Australia, and has nearly 30 years of experience specialising in financial reporting, taxation law, corporate law and financial strategy. Mr Marusco has also been involved with a number of Australian public listed companies in commercial, financial and secretarial capacity.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year, and the number of meetings attended by each director was as follows:

Name	Number of meetings eligible to attend	Number of meetings attended
Alec Pismiris	2	2
David Leavy	2	2
Michael Fennell	2	1

Principal Activities

The principal activities of the Company during the course of the financial year include the negotiation and subsequent disposal of the Kirkalocka Gold Project, identifying the opportunity to acquire Gameday International Pty Ltd and maintenance of several tenements located near the Kirkalocka Gold Project.

DIRECTORS' REPORT (CONTINUED)

Review of Operations

Kirkalocka Gold Project ("KGP")

During the year and prior to the sale to Minjar Gold Pty Ltd, the KGP remained on care and maintenance with activities focussed on maintaining the KGP asset and ensuring compliance with all licence and regulatory requirements whilst minimising expenditure where appropriate.

Care and maintenance arrangements identified and implemented in the prior year to reduce the overhead cost for this activity were maintained with site monitoring undertaken under a contract arrangement with the Kirkalocka Station owners and supported by MMS office staff. Throughout this monitoring phase no significant security issues occurred. The station owner was able to use data gathered in security monitoring activities to assist with feral pest management in the area.

On 17 November 2015 the Company announced the sale of the KGP to Minjar had been completed, with the Company receiving funds of \$1,861,825 (inclusive of GST) as settlement of the sale. The settlement amount included reimbursement of tenement rents paid by MMS in accordance with the terms of the Tenement Sale Agreement. An amount of \$50,000 was deducted from the settlement amount and held in escrow to meet any costs associated with keeping the tenements encompassed by the Tenement Sale Agreement in good standing.

Minjar also paid \$1,000,000 to Newcrest Mining Limited (NML) representing a Contingency Amount payable in accordance with the terms of the Equigold Agreement. The disposal of the Kirkalocka Plant constituted a Contingent Event under that agreement which triggered the obligation to pay NCL the Contingency Amount.

The Company retains ownership of tenements E59/1361, E59/1778, E59/1962 and E59/2145 located near the Kirkalocka Gold Project. The Company is progressing with the disposal of the remainder of its interest in these four tenements.

At 30 June 2016 the Group had \$249,605 in cash to support its operations.

Receipt of 2014/2015 R&D Claim

Following the completion and submission of the required documentation for FY2015, the Company received a cash refund of \$92,039 during the December 2015 quarter under the Federal Government's Research and Development (R&D) Tax Incentive Scheme. Under the Scheme, the Company was entitled to a cash refund of 45 cents per dollar spent on eligible R&D expenditure. The Company's claim predominantly related to costs incurred in relation to studies associated with the Kirkalocka Gold Project.

DIRECTORS' REPORT (CONTINUED)

Review of Operations (continued)

Restructure of Convertible Note

The Company reached agreement with the holder of 66,666,667 unsecured convertible notes with an aggregate face value of \$1.0 million ("Convertible Notes") to vary certain terms of the Convertible Notes whereby it was agreed to redeem 40,000,000 of the existing Convertible Notes (with the aggregate face value of \$600,000) upon completion of the disposal of the Kirkalocka Tenement Interest and the Kirkalocka Plant. The terms of the remaining 26,666,667 Convertible Notes would be varied as follows:

- **Extension of the maturity date:** The maturity date to be extended by two years to 31 July 2017 which means that the date by which the Company must redeem any Convertible Notes that have not been redeemed or converted by 31 July 2017 and the Noteholder would have until that date to elect to convert the Convertible Notes.
- **Resetting of the conversion price:** The conversion price to be varied to \$0.006 per Share. This variation was intended to ensure that the price for the extended conversion period would be broadly consistent with the commercial principles on which the current conversion price was set.
- **Conversion:** The Convertible Notes will be convertible (in whole or in part) into 66,666,667 Shares at any time on or before the redemption date at the election of the noteholder or the Company into Shares at the new conversion price of \$0.006 per Share by delivering a conversion notice to the Company or the Noteholder (as applicable). One Convertible Note is therefore convertible into approximately 2.5 shares.

The remaining key terms of the Convertible Notes remain unchanged.

In December 2015, an amount of \$200,000 was repaid to the Convertible Noteholder on redemption of 40,000,000 Convertible Notes. The aggregate face value remaining of \$400,000 relating to the Convertible Notes redeemed remains owing at Balance Date.

Share Sale Facility

During the December 2015 quarter the Company established a share sale facility ("**Facility**") for holders of less than a marketable parcel as defined in the ASX Listing Rules. The Closing Date for the Facility was 22 December 2015.

A registered shareholding of 333,333 shares or less held on the 4 November 2015 (the Record Date) qualified for the Facility.

The Facility was implemented so that holders of less than a marketable parcel could sell their shares without incurring any costs that would otherwise make a sale of their shares uneconomic. The Company will benefit from the future reduction in administrative costs associated with maintaining a large number of small shareholdings.

The sale price under the Facility was \$0.0015 per share being the volume weighted average sale price of the Company's shares quoted on the ASX for the five consecutive trading days preceding the Record Date and rounded to the nearest half cent.

DIRECTORS' REPORT (CONTINUED)

Review of Operations (continued)

Acquisition of Gameday International Pty Ltd ("Gameday")

On 10 February 2016, the Company announced it had entered into a share sale agreement with the majority shareholders of Gameday pursuant to which the Company agreed to acquire all of the shares in Gameday held by the Majority Vendors and make offers to each of the minority shareholders of Gameday to acquire their shares.

The Company subsequently made offers and entered into share sale agreements with each of the Minority Vendors pursuant to which each minority shareholder agreed to sell their shares in Gameday to the Company. Completion of the Share Sale Agreement and the Minority Vendor Agreements was subject to the satisfaction of certain conditions precedent which when satisfied would result in the Company acquiring the entire issued share capital of Gameday.

In June 2016 the Company despatched notice of meeting materials seeking approval from shareholders for the following resolutions relating to the acquisition of Gameday:

- Change in nature and scale of activities;
- Consolidation of capital on the basis that 20 Shares be consolidated into 1 Share;
- Issue of consideration securities comprising of 44,000,000 Shares and 40,00,004 Performance Shares;
- Creation of a new class of securities being the Performance Shares;
- Issue of consideration securities to Gameday Noteholders;
- Issue of up to 37,500,000 Capital Raising Shares;
- Issue of 450,000 Advisor Shares;
- Grant of 7,500,000 Lead Manager Options;
- Change of Company Name to Impression Healthcare Limited; and
- Appointment of Messrs Blake, Weston, Smith and Worsfold as directors.

Gameday - Highly Disruptive Business Plan

Gameday aims to disrupt the mouthguard market in Australia by allowing consumers to purchase custom made mouthguards in a cheaper and more convenient fashion than the traditional method of visiting a dentist.

Buyers of over the counter 'boil and bite' products will also find the offer appealing as they can acquire a superior product from Gameday for a comparable cost (or cheaper if they are entitled to certain healthcare rebates) in many instances.

Gameday aims to provide customers with a high quality and affordable product at a price of \$79.95 (being the cost of a basic Gameday custom-fit mouthguard). A Gameday kit allows consumers to take an impression of their mouth at home. This impression is then returned to Gameday in a supplied Reply Paid envelope, with the finished mouthguard being sent back to the consumer within 7-10 days.

With a digital shopfront and quality control managed by a respected Dental Prosthetist, consumers can take their own dental impressions at home and receive a superior custom-fit product. For a low cost, consumers have convenient access to high quality, custom-made mouthguards from Gameday. This mouthguard can also be designed in the wearer's club or favourite colours, and can also include their name and telephone number.

DIRECTORS' REPORT (CONTINUED)

Review of Operations (continued)

Gameday has a highly credentialed leadership team to guide the Company's growth strategy. The business is led by Matt Weston, who has extensive international experience in sports/fitness and sports marketing. Notably, Matt has worked in the National Basketball Association (NBA) with the San Antonio Spurs and was a Technical Director for the Beijing 2008 Olympics.

Matt Weston will be complemented by Director John Worsfold, who has a Degree in Pharmacy and is widely regarded as one of Australian Rules Football's leading players, coaches and ambassadors; and Alistair Blake, a qualified dental prosthetist. Alistair has 16 years' experience in large scale commercial dental laboratories throughout Western Australia and Victoria, specialising in dental prosthetics.

Millions of Australians are playing sports where it is advisable or appropriate to wear a mouthguard. Gameday's target market for its home-impression custom-fit mouthguard product can broadly be defined as children and adults engaged in contact sport or recreational activities which may require a mouthguard. The model is readily scalable (current capacity in excess of 50,000 mouthguards a year) and there are opportunities to sell other products and enter international markets. With the Australian Dental Association claiming only 36% of Australian children aged 5-17 are wearing mouthguards during games, Gameday aims to passionately work on raising awareness of mouthguard usage and will be investing heavily into promoting the safety benefits of protecting children with custom made products which have been shown to offer significantly more protection than over the counter brands.

Completion of the acquisition of Gameday is subject to a number of conditions precedent, including, but not limited to:

- The Company completing the equity capital raising and receiving valid applications for at least \$2,000,000;
- Gameday shareholders entering into a restriction agreement as required by ASX imposing such restrictions on trading of those securities as mandated by the ASX Listing Rules; and
- The Company will also be required, pursuant to Listing Rule 11.1.3, to re-comply with Chapters 1 and 2 of the Listing Rules.

Gameday Partnership Agreements

Gameday's strategy is to build strong connections with the millions of Australians who are playing sports where it is advisable or appropriate to wear a mouthguard by establishing partnerships and agreements with grassroots sporting associations. In the previous quarter Gameday entered into exclusive partnership agreements with the Southern Football Netball League (SFNL) and the Western Australian Hockey Association. During the current quarter Gameday expanded its reach to 880,000 sporting association members with the following partnership agreements:

Exclusive Partnership Agreement with Basketball New South Wales (BNSW)

Exclusive partnership agreement with Basketball New South Wales (BNSW). The agreement allows Gameday to promote its custom made, affordable mouthguard product to 63,000 registered members of BNSW for a period of 5 years with an option to extend.

Partnership Agreement with SportsPass Australia

Partnership agreement to promote its custom made, affordable mouthguard product to Sports Pass' 750,000 members through the provision of discounts, deals and incentives via the SportsPass website, SportsPass App and electronic direct marketing campaigns.

DIRECTORS' REPORT (CONTINUED)

Review of Operations (continued)

Exclusive Partnership Agreement with Hockey NSW and Hockey Victoria

Exclusive partnership agreements providing marketing access to 45,000 members in both states. Under the exclusive partnership agreements, Gameday to work collaboratively with the Associations to promote its custom made, affordable mouthguard product to the Associations' membership base, via Electronic Direct Marketing, member newsletters, online and social media channels, as well as through an on the ground presence at key hockey events

Operating result for the year

The Group's loss for the year to 30 June 2016 after income tax was \$792,594 (2015: Loss of \$2,537,893).

Corporate Activities

Board and management changes

On 15 March 2016 the Company announced it had executed an Executive Services Agreement with Mr Matt Weston, confirming his appointment as Chief Executive Officer. Mr Weston has 20 years' experience in business and sport including roles in the National Basketball Association (NBA) with the San Antonio Spurs and also as Technical Director for the Beijing 2008 Olympics. He has worked with some of the world's largest sporting brands on marketing and partnership, including managing Infront Sports & Media's exclusive commercial rights to the Chinese Basketball League (CBA), and also managed the strategic connection of the Chinese professional basketball league with grass-roots participants and government. Mr Weston recently delivered a successful change management program for a major UK company with over 8,000 staff in the health and wellbeing sector, guiding the company through a restructure and returning it back to a positive EBITDA position.

As part of the Gameday acquisition, the Company announced a restructure of the board and management team that on completion would consist of the following significantly experienced individuals:

Chairman – Mr Kelvin Smith: Mr Smith is Managing Director of MVP Financial and a Certified Practicing Accountant (CPA) with 25 years' experience within the corporate sector. Mr Smith has considerable management and external advisory experience in the business sector, specifically on the board of various large private enterprises as Chairman and/or Strategic Advisory Member. His areas of expertise include corporate advisory services, strategic planning, financial management, income tax, business restructuring, risk management, mergers and acquisitions and general corporate finance advice.

Technical Director – Mr Alistair Blake: Mr Blake is a qualified dental prosthetist, having completed an Advanced Diploma of Dental Prosthetics at RMIT University. He has 16 years' experience in large scale commercial dental laboratories throughout Western Australia and Victoria, specialising in dental prosthetics. Mr Blake established Denture Innovations clinic and laboratory in 2009 and grew the business significantly to offer dentists and other specialists his services nationally, ultimately identifying the commercial opportunities available within the Australian mouthguard market. He is a registered health care professional and a Medibank Members' Choice provider.

DIRECTORS' REPORT (CONTINUED)

Corporate Activities (continued)

Non-Executive Director – Mr John Worsfold: Mr Worsfold is head coach of the Essendon Football Club. His career in the AFL spans 26 years including 12 years as a player at West Coast Eagles (8 years as captain), 2 years as assistant coach at Carlton to David Parkin and 12 years as senior coach of the West Coast Eagles. Mr Worsfold has been twice voted AFL 'Coach of the Year' by his coaching peers. Mr Worsfold holds a degree in Pharmacy and was proprietor of Joondalup City Amcal Chemist for 10 years. He has completed INSEAD's Advanced Management Program and also undertaken intense personal development training over the last 10 years. Mr Worsfold has significant experience in changing the culture of organisations, developing and living a shared vision, leading and coaching teams, and developing short and long term strategies for organisations.

On the appointment of the above named, Messrs Leavy and Fennell will resign and Mr Pismiris will remain as a Non-Executive Director of the Company.

In June 2016, the Company announced the Board has appointed Mr Robert Marusco as Company Secretary, following the resignation of Mr Shaun Menezes.

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

As at the date of this report, the interests of the directors in the shares and options (on a post consolidation basis) of the Company were:

Director	Number of fully paid ordinary shares	Number of options over ordinary shares
Alec Pismiris	2,125,000	500,000
David Leavy	-	-
Michael Fennell	-	-

Change of registered office and principal place of business

On 21 June 2016 the Company relocated its registered office and principal place of business to Level 3, Suite 5, 9 Bowman Street, South Perth, Western Australia.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

After Balance Date events

Events occurring after 30 June 2016 are disclosed in detail in Note 25.

DIRECTORS' REPORT (CONTINUED)

Corporate Activities (continued)

Share Options

The Company has the following securities (on a post consolidation basis) on issue as at the date of the Directors' Report.

Security Description	Number of Securities
Fully paid shares	63,660,234
Options exercisable at 0.6 cents expiring 31 December 2018 (Listed)	17,266,857
Options exercisable at 0.6 cents expiring 31 December 2018 (Unlisted)	4,250,000
Convertible notes	26,666,667

Unissued Shares under Option

As at the date of this report, there were 21,516,857 unissued ordinary shares under options (on a post consolidation basis) (30 June 2015: 52,479,275 on a pre consolidation basis).

Option holders do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year there were 3,167 ordinary shares issued as a result of the exercise of \$0.006 options (on a pre consolidation basis) (2015: Nil).

Since Balance Date there have been 908,333 ordinary shares issued as a result of the exercise of \$0.12 options (on a post consolidation basis).

Environmental legislation

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulation when carrying out any exploration work. There have been no known breaches of environmental laws or permit conditions during the year.

Indemnification and insurance of Directors and Officers

Indemnification

The Company has agreed to indemnify the directors of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

DIRECTORS' REPORT (CONTINUED)

Corporate Activities (continued)

Insurance premiums

The Company has arranged directors' and officers' liability insurance, for past, present or future directors, secretaries, and executive officers. The insurance cover relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual directors or officers of the Company.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel of Mount Magnet South Limited (the "Company") for the financial year ended 30 June 2016.

The key management personnel of the Company are the Directors of the Company.

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Structure

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

Non-executive director remuneration

The Board seeks 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.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The Company listed on ASX on 23 May 2007, and members approved the maximum aggregate annual amount payable to non-executive directors as \$500,000 on 24 November 2007.

The amount of aggregate remuneration apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Independent advice is obtained when considered necessary to confirm that remuneration is in line with market practice.

Each director receives a fee for being a director of the Company. Non-executive directors may receive performance rights (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves.

Executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

The fixed remuneration component of key management personnel is detailed in Tables 1 and 2.

Variable Remuneration

The objective of the short term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the KMP charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to the KMP to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual payments granted to each KMP depend on the extent to which specific operating targets set at the beginning of the financial year are met. No short term incentive remuneration was paid during the financial year ended 30 June 2016.

The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. The long term incentive is provided in the form of performance rights and options over ordinary shares in the Company.

Employee Share Option Plan (ESOP)

The Mount Magnet South Limited ESOP provides for the directors to set aside shares in order to reward and incentivise employees. Directors will not set aside more than 5% of the total number of issued shares in the Company at the time of the proposed issue. Officers and employees both full and part-time are eligible to participate in the plan.

Performance Rights Plan (PRP)

Shareholders approved the Company's PRP at the Annual General Meeting held on 23 November 2011. The PRP is designed to provide a framework for competitive and appropriate remuneration so as to retain and motivate skilled and qualified personnel whose personal rewards are aligned with the achievement of the Company's growth and strategic objectives.

Executive Employment Contracts

During the period the Company announced it had executed an Executive Services Agreement with Mr Matt Weston, confirming his appointment as Chief Executive Officer. The material terms of the agreement are set out as follows:

- Commencement date: 1 February 2016
- Term: 4 years from commencement date
- Fixed remuneration: \$264,000 per annum inclusive of superannuation
- Grant of 2,205,063 Performance Rights which vest on achieving certain financial criteria
- Termination for cause: no notice period
- Termination without cause: three month notice period

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2016

	Short-term				Post-Employment	Long-term	Share-based payment	Total	Performance Related
	Salary & fees \$	Cash bonus \$	Consulting Fees \$	Other \$	Superannuation \$		Share Options \$		%
Non-executive directors									
Alec Pismiris ¹	60,000	-	-	-	-	-	7,500	67,500	-
David Leavy ²	24,000	-	-	-	-	-	-	24,000	-
Michael Fennell ³	24,000	-	-	-	-	-	-	24,000	-
Total	108,000	-	-	-	-	-	7,500	115,500	

1. Fees were paid to Lexcon Services Pty Ltd, an entity in which Mr Pismiris is a director. The amount outstanding to Lexcon Services Pty Ltd at the Reporting Date was \$5,500 and included in trade and other payables.
2. Fees were paid to Cologna Capital, an entity in which Mr Leavy is a sole proprietor. The amount outstanding to Cologna Capital at the Reporting date was \$2,000 and included in trade and other payables.
3. Fees were paid to Gemica Pty Ltd, an entity in which Mr Fennell is a director. The amount outstanding to Gemica Pty Ltd at the Reporting date was \$2,200 and included in trade and other payables.

DIRECTORS' REPORT (CONTINUED)**REMUNERATION REPORT (CONTINUED)****Table 2: Remuneration of key management personnel (KMP) for the year ended 30 June 2015**

	Short-term				Post-Employment	Long-term	Share-based payment	Total	Performance Related
	Salary & fees \$	Cash bonus \$	Consulting Fees \$	Other \$	Superannuation \$	\$	Stock Options \$		
Non-executive directors									
Alec Pismiris ¹	61,000	-	-	-	-	-	-	61,000	-
David Leavy ²	12,000	-	-	-	-	-	-	12,000	-
Michael Fennell ³	12,000	-	-	-	-	-	-	12,000	-
Patrick Flint ⁴	10,216	-	-	-	970	-	-	11,186	-
Mark Pitt ⁵	10,983	-	-	-	1,043	-	-	12,026	-
Total	106,199	-	-	-	2,013	-	-	108,212	

1. Fees of \$6,000 for Mr Pismiris's services for the period 1 July 2014 to 31 July 2014 were paid to Capital Investment Partners Pty Ltd, an entity in which he is a director. Fees for Mr Pismiris' services for the period 1 August 2014 to 30 June 2015 were paid to Lexcon Services Pty Ltd, an entity in which he is a director. The amount outstanding to Lexcon Services Pty Ltd at the Reporting Date was \$55,000 and included in trade and other payables.
2. Appointed as a director on 22 December 2014. Fees were paid to Cologna Capital, an entity in which Mr Leavy is a sole proprietor. The amount outstanding to Cologna Capital at the Reporting date was \$2,000 and included in trade and other payables.
3. Appointed as a director on 22 December 2014. Fees were paid to Gemica Pty Ltd, an entity in which Mr Fennell is a director. The amount outstanding to Gemica Pty Ltd at the Reporting date was \$2,000 and included in trade and other payables.
4. Resigned as a director on 22 December 2014.
5. Resigned as a director on 22 December 2014

DIRECTORS' REPORT (CONTINUED)**REMUNERATION REPORT (CONTINUED)****Performance Rights**

Each performance right is convertible into one ordinary share upon achievement of the performance hurdles. No performance right will vest if the conditions are not satisfied, hence the minimum value of the performance rights set to vest is nil.

The assessed fair value at grant date of performance rights granted is expensed according to the performance or market based conditions attached to the performance hurdle. Performance based hurdles are expensed to each reporting period evenly over the period from grant date to vesting date. Market based hurdles are expensed on the grant date. The relevant amount is included in the remuneration table (Table 1) above. Fair values at grant date are independently determined using binomial pricing model that takes into account the exercise price, term, the share price at grant date and expected price volatility of the underlying share, barrier price / performance hurdles, the expected dividend yield and the risk-free interest rate. For details on the valuation of performance rights, including assumptions used, refer to note 10.

Performance rights granted as part of remuneration for the year ended 30 June 2016

There were no performance rights granted as part of remuneration for the year ended 30 June 2016.

Performance rights granted as part of remuneration for the year ended 30 June 2015

There were no performance rights granted as part of remuneration for the year ended 30 June 2015.

Key Management Personnel – Performance Rights Holdings

The number of performance rights held by Key Management Personnel of the Group during the financial year is as follows:

30 June 2016

Name	Held at 1 July 2015	Granted	Expired	Held at 30 June 2016
Alec Pismiris	-	-	-	-
David Leavy	-	-	-	-
Michael Fennell	-	-	-	-

30 June 2015

Name	Held at 1 July 2015	Granted	Expired	Held at 30 June 2016
Alec Pismiris	-	-	-	-
David Leavy	-	-	-	-
Michael Fennell	-	-	-	-
Mark Pitt ¹	-	-	-	-
Patrick Flint ²	-	-	-	-

1. Resigned as a director on 22 December 2014

2. Resigned as a director on 22 December 2014

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Key Management Personnel – Option Holdings (on a pre consolidation basis)

The number of options held by Key Management Personnel of the Group during the financial year is as follows:

30 June 2016

Name	Held at 1 July 2015	Purchases / Other Acquisitions	Sales / Other Disposals	Held at 30 June 2016	Exercisable
Alec Pismiris	10,000,000	7,500,000	-	17,500,000	17,500,000
David Leavy	-	-	-	-	-
Michael Fennell	-	-	-	-	-

30 June 2015

Name	Held at 1 July 2015	Purchases / Other Acquisitions	Sales / Other Disposals	Held at 30 June 2016	Exercisable
Alec Pismiris	-	10,000,000	-	10,000,000	10,000,000
David Leavy	-	-	-	-	-
Michael Fennell	-	-	-	-	-
Mark Pitt ¹	-	524,445	(524,445)	-	-
Patrick Flint	-	-	-	-	-

1. Resigned as a director on 22 December 2014. Amounts shown as other disposals includes the amount held on resignation.

Key Management Personnel – Shareholdings (on a pre consolidation basis)

The number of ordinary shares in Mount Magnet South Limited held by each KMP of the Group during the financial year is as follows:

30 June 2016

Name	Held at 1 July 2015	Purchases / Other Acquisitions	Sales / Other Disposals	Net Change Other	Held at 30 June 2016
Alec Pismiris	20,000,000	15,000,000	-	-	35,000,000
David Leavy	-	-	-	-	-
Michael Fennell	-	-	-	-	-

30 June 2015

Name	Held at 1 July 2015	Purchases / Other Acquisitions	Sales / Other Disposals	Net Change Other	Held at 30 June 2016
Alec Pismiris	-	20,000,000	-	-	20,000,000
David Leavy	-	-	-	-	-
Michael Fennell	-	-	-	-	-
Mark Pitt ¹	1,573,335	1,048,890	(2,622,225)	-	-
Patrick Flint	-	-	-	-	-

1. Resigned as a director on 22 December 2014. Amounts shown as other disposals includes the amount held on resignation.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Other Key Management Personnel Transactions

There have been no transactions involving equity instruments other than those described in the above tables. Other transactions with key management personnel during the financial year and not disclosed above are noted below:

During the year, no fees were paid to Somers and Partners Pty ("SP"), an entity in which Mr Pismiris is a Director of Corporate Finance. The Company has appointed SP to act as lead manager to the public offer up to 37,500,000 Shares at an issue price of \$0.08 each to raise up to \$3,000,000 (before costs) under a Prospectus. In consideration for its services, SP will be entitled to receive a management fee of \$10,000 and a 6% capital raising fee of the total amount raised under the public offer (all fees exclusive of GST).

During the year, no fees (2015: \$73,961 included in finance costs) were paid to Capital Investment Partners Pty ("CIP"), an entity in which Mr Pismiris was a director. During the prior year CIP was engaged by the Company for the following corporate advisory roles:

- the Company appointed CIP as the Underwriter to the pro-rata non-renounceable entitlement offer made on the basis that for every three shares held, shareholders had the right to subscribe for two new shares at an issue price of \$0.001 and one option for every two new shares subscribed for at an issue price of \$0.001 to raise approximately \$618,000 before costs. Under the terms of the Underwriting Agreement SP was paid:
 - an underwriting fee of \$37,081 representing 6% of the amount underwritten;
 - reimbursement of legal fees of \$780; and
 - a management fee of \$10,000;
- the Company appointed CIP as the Lead Manager to both placements undertaken during the reporting period and was paid capital raising fees of \$26,100 representing 6% of the amounts raised.

END OF REMUNERATION REPORT

Non-Audit Services

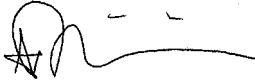
Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 18 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110: Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standard Board.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 22 and forms part of this directors' report for the year ended 30 June 2016.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'Alec Pismiris', with a stylized initial 'A' and a long horizontal stroke.

Alec Pismiris
Chairman
Perth WA, 29 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

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

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



Perth, Western Australia
29 September 2016

N G Neill
Partner

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$	\$
Interest revenue		11,443	3,819
Other income	2(a)	-	26,725
Employee benefit expense		(115,539)	(207,483)
Finance costs		(81,434)	(119,865)
Administration		(187,694)	(175,007)
Compliance legal and regulatory		(210,396)	(159,818)
Exploration expenditure written off	9	(259,314)	(1,897,311)
Asset impairment – Kirkalocka plant and camp	8	-	(55,997)
Loss on sale of Kirkalocka		(41,699)	-
Other expenses	2(b)	-	(58,688)
Loss before income tax		(884,633)	(2,643,625)
Income tax benefit	3	92,039	105,732
Loss after tax		(792,594)	(2,537,893)
Other comprehensive income		-	-
Total comprehensive loss for the year		(792,594)	(2,537,893)
Basic loss per share (cents per share)	5	(1.17)	(5.83)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	249,605	175,997
Trade and other receivables	7	4,619	8,102
Other financial asset	10	50,000	21,108
Assets classified as held for sale	22	-	6,028,000
Total current assets		304,224	6,233,207
Non-current assets			
Other financial asset	10	150,000	-
Total non-current assets		150,000	-
Total assets		454,224	6,233,207
Liabilities			
Current liabilities			
Trade and other payables	12	271,730	235,829
Borrowings	13	-	993,770
Liabilities directly associated with assets held for sale	22	-	4,530,000
Total current liabilities		271,730	5,759,599
Non-current liabilities			
Borrowings	13	369,626	-
Total non-current liabilities		369,626	-
Total liabilities		641,356	5,759,599
Net assets		(187,132)	473,608
Equity			
Issued capital	16	34,757,895	34,701,557
Reserves	17	3,472,513	3,396,997
Accumulated losses		(38,417,540)	(37,624,946)
Total equity		(187,132)	473,608

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Issued Capital \$	Convertible Notes Reserve \$	Option Premium Reserve \$	Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
Consolidated						
Balance at 1 July 2014	34,056,174	332,622	-	2,765,649	(35,087,053)	2,067,392
Comprehensive loss for the year	-	-	-	-	(2,537,893)	(2,537,893)
Issue of share capital	847,014	-	206,905	-	-	1,053,919
Transaction costs	(201,631)	-	-	-	-	(201,631)
Share based payment expense	-	-	-	91,821	-	91,821
Balance at 30 June 2015	34,701,557	332,622	206,905	2,857,470	(37,624,946)	473,608
Balance at 1 July 2015	34,701,557	332,622	206,905	2,857,470	(37,624,946)	473,608
Comprehensive loss for the year	-	-	-	-	(792,594)	(792,594)
Equity portion on convertible note	-	68,016	-	-	-	68,016
Transaction costs	(3,681)	-	-	-	-	(3,681)
Share based payment expense	60,019	-	-	7,500	-	67,519
Balance at 30 June 2016	34,757,895	400,638	206,905	2,864,970	(38,417,540)	(187,132)

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$	\$
Cash flows from operating activities			
Payments to suppliers & employees		(491,080)	(526,989)
Exploration and evaluation expenditure		(258,494)	(759,627)
Interest received		11,443	3,932
Reimbursement of office bond		25,236	
Research and development tax refund		92,039	105,732
Net cash from / (used in) operating activities	6(i)	(620,856)	(1,176,952)
Cash flows from investing activities			
Payments for property, plant and equipment		(150,000)	(3,481)
Proceeds from sale of property, plant and equipment		1,691,825	16,000
Cost associated with sale of assets		(243,699)	
Net cash used in investing activities		1,298,126	12,519
Cash flows from financing activities			
Gross proceeds from share and option issues		19	1,053,919
Costs of share issues		(3,681)	(109,810)
Repayments of convertible notes		(600,000)	-
Net cash from / (used in) financing activities		(603,662)	944,109
Net increase / (decrease) in cash and cash equivalents		73,608	(220,324)
Cash and cash equivalents at beginning of the year		175,997	396,321
Cash and cash equivalents at end of the year	6	249,605	175,997

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. Summary of significant accounting policies

Basis of preparation

This financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars. The Company is a listed public company, incorporated and operates in Australia. The accounting policies below are consistent with previous years unless otherwise stated.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the commercial realisation of the Group's assets, and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax of \$792,594 and has experienced net positive operating and investing cash outflows of \$677,270 for the year and as at 30 June 2016 has net negative current assets of \$187,132, which includes \$249,605 in cash and cash equivalents.

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis as the Company has lodged a Prospectus with ASIC to raise a minimum of \$2 million to satisfy the Listing Rule requirements and meet the future funding requirements of the Company following the acquisition of Gameday. Under the Prospectus the Company has the ability to accept over subscriptions of up to \$1 million. The public offer is well advanced and is expected to close on or around 28 September 2016.

The Directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances. If however the Company does not obtain sufficient funding through the available avenues mentioned above, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications or liabilities that might be necessary should the Group not be able to continue to operate as a going concern.

Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

Statement of compliance

The financial report was authorised for issue on 28 September 2016.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Mount Magnet South Limited and its subsidiary as at 30 June each year (the Group).

The financial statements of the subsidiary are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Significant accounting estimates and judgements

The preparation of the financial statements can involve the use of estimates and judgements by the directors about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

Significant accounting policies

a. Revenue recognition

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

b. Borrowing costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

c. Cash and cash equivalents

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

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

d. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

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

e. Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

f. Income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of 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 taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

g. Other taxes

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

- when 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, which 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 statement of financial position.

Cash flows are included in the statement of cash flows 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.

h. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 5 years

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

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

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

For plant and equipment, impairment losses are recognised in the statement of comprehensive income. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

(ii) Derecognition and disposal

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

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

i. Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

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

Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of comprehensive income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

j. Impairment of assets

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

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

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

k. Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

l. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

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

m. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

n. Employee leave benefits

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

o. Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

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

The assessed fair value at grant date of performance rights granted is expensed according to the performance or market based conditions attached to the performance hurdle. Performance based hurdles are expensed to each reporting period evenly over the period from grant date to vesting date. Market based hurdles are expensed on the grant date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

p. Issued capital

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

q. Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, 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 net profit or loss attributable to members of the parent, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

1. Summary of significant accounting policies (continued)

r. Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

s. Segment Reporting

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

2. Revenue and expenses

	Consolidated	
	2016	2015
	\$	\$
<i>(a) Other income</i>		
Profit on sale of property, plant and equipment	-	16,000
<i>(b) Other expenses</i>		
Depreciation	-	16,520

3. Income tax

	Consolidated	
	2016	2015
	\$	\$
The prima facie income tax (expense)/benefit on pre-tax accounting (loss)/profit from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting loss before tax from continuing operations	(884,633)	(2,643,625)
Income tax benefit at the applicable tax rate of 30%	265,390	793,088
Non-deductible expenses at the applicable tax rate of 30%	-	(369,116)
Deferred tax asset not recognised	(265,390)	(423,972)
Research and Development Grant in relation to prior year	92,039	105,732
Income tax benefit	92,039	105,732
Unrecognised Deferred Tax Asset		
Deferred tax asset not recognised in the financial statements:		
Unused tax losses (at 30%)	9,114,857	8,849,467
Deductible temporary differences (at 30%)	-	-
Unrecognised deferred tax asset	9,114,857	8,849,467
Deferred tax liability – exploration expenditure (at 30%)	-	907,683
Net unrecognised deferred tax asset	9,114,857	7,941,784

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

3. Income tax (continued)

The potential deferred tax benefit has not been recognised as an asset in the financial statements because recovery of the asset is not considered probable in the context of AASB 112, Income Taxes.

The benefit will only be realised if:

- a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised.
- b) the Company complies with the conditions for deductibility imposed by the law; and
- c) no changes in tax legislation adversely affect the Company in realising the benefit.

Assuming the acquisition of Gameday International Pty Ltd does occur, Mount Magnet South Limited will no longer carry forward tax losses as the Company intends to operate in a different field of business and there is significant uncertainty as to whether the continuity of ownership will be passed in the future.

4. Dividends

The Company has not declared a dividend for the year ended 30 June 2016.

5. Loss per share

	Consolidated	
	2016	2015
	Cents per share	Cents per share
Basic loss per share	(1.17)	(5.83)
Diluted loss per share	(1.17)	(5.83)

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

- Loss (\$)	(792,594)	(2,537,893)
- Weighted average number of ordinary shares (number)	62,566,856	43,555,061

As outlined in Note 25 the Company consolidated its capital post year end. In accordance with AASB133 the loss per share has been recalculated using the consolidated number of shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

6. Cash and cash equivalents

	Consolidated	
	2016	2015
	\$	\$
Cash at bank and on hand	249,605	175,997
	<u>249,605</u>	<u>175,997</u>

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

i. Reconciliation of loss for the year to net cash flows from operating activities:

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax	(792,594)	(2,537,893)
Write-off of non-current assets	-	1,953,309
Share based payments	67,500	-
Convertible note interest	77,677	119,865
Depreciation	-	16,520
Loss on sale of Kirkalocka Project	41,699	-
Changes in net assets and liabilities:		
(Increase)/Decrease in other receivables	(25,409)	15,141
(Increase)/Decrease in inventory	2,389	37,774
(Increase)/Decrease in exploration	-	(722,922)
(Decrease)/Increase in trade creditors and accruals	7,882	(38,914)
(Decrease)/Increase in provisions	-	(19,832)
Cash flows from (used in) operations	<u>(620,856)</u>	<u>(1,176,952)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

7. Trade and other receivables (Current)

	Consolidated	
	2016	2015
Current	\$	\$
Receivables	1,162	-
GST recoverable	3,457	8,102
	4,619	8,102

8. Property, plant and equipment

	Consolidated	
	2016	2015
Plant, equipment & vehicles – at cost	-	9,902,351
Less: accumulated depreciation	-	(286,367)
Less: impairment	-	(6,615,984)
Reclassified as asset held for sale (note 22)	-	(3,000,000)
Total property, plant & equipment	-	-

Reconciliation:	Mining Plant	Plant & Equipment	Total
	\$	\$	\$
Opening written down value	3,033,329	35,707	3,069,036
Additions	3,481	-	3,481
Impairment ¹	(28,824)	(27,173)	(55,997)
Depreciation	(7,986)	(8,534)	(16,520)
Closing written down value	3,000,000	-	3,000,000
Reclassified as asset held for sale (note 22)	(3,000,000)	-	(3,000,000)
Balance at 30 June 2015	-	-	-
Balance at 30 June 2016	-	-	-

¹ Property, plant and equipment has been written down to its' recoverable amount based on the sale price of the Kirkalocka Gold Project to Minjar Gold Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

9. Deferred exploration expenditure

	Consolidated	
	2016	2015
	\$	\$
Exploration and evaluation phase:		
Balance at the beginning of the year	-	4,200,000
Exploration expenditure incurred	259,314	722,922
Exploration expenditure written off	(259,314)	(1,897,311)
Reclassified as asset held for sale	-	(3,025,611)
Total exploration expenditure	-	-

The recoupment of costs carried forward for areas of interest in the exploration and evaluation phase is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

10. Other Financial Assets

	Consolidated	
	2016	2015
	\$	\$
Current		
Funds held in escrow	50,000	-
Office rental bond	-	21,108
	50,000	21,108

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

10. Other Financial Assets (continued)

	Consolidated	
	2016	2015
	\$	\$
Non-current		
Prepayments	150,000	-
	<hr/>	<hr/>
	150,000	-
	<hr/>	<hr/>

11. Share Based Payment Plans

The Company has in place an Employee Share Option Plan (ESOP) and a Performance Rights Plan (PRP).

Performance Rights Plan (PRP)

Shareholders approved the Mount Magnet South Limited PRP at the Annual General Meeting held on 23 November 2011. The PRP is designed to more closely align rewards for performance with the achievement of the Company's growth and strategic objectives. The plan provides for the issue of performance rights which, upon determination by the Board that the performance conditions attached thereto have been met and subject to the terms of the plan, convert into fully paid ordinary shares. Where the participant is a director of the Company, specific shareholder approval will have to be sought under the ASX Listing Rules prior to the grant of performance rights to such an individual.

For the year ended 30 June 2016:

- no options were granted under the ESOP, and no options remain on issue that were previously issued pursuant to the ESOP; and
- no performance rights were granted under the PRP, and no performance rights remain on issue that were previously issued pursuant to the PRP.

Following completion of the acquisition of Gameday, the Company's Share Based Payment Plans will be reviewed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

11. Share Based Payment Plans (continued)

Fair value of performance rights granted

The fair values at grant date are independently determined using a binomial pricing model (refer note 1(o) and (e) (iii)) that takes into account the exercise price, the term of the rights, the share price at grant date, expected price volatility of the underlying share and the risk free interest rate for the term of the rights.

There were no performance rights granted during the year ended 30 June 2016 (2015: Nil granted).

12. Trade and other payables

	Consolidated	
	2016	2015
	\$	\$
Trade payables	195,026	197,398
Accruals	76,704	38,431
	<u>271,730</u>	<u>235,829</u>

13. Borrowings (Current and Non-current)

	Consolidated	
	2016	2015
	\$	\$
Convertible Notes		
Current convertible notes	-	993,770
Non-current convertible notes	369,626	-
	<u>369,626</u>	<u>993,770</u>
Summary of Balance		
Convertible notes – face value	1,000,000	1,000,000
Repayment	(600,000)	-
Amount classified as equity	(68,016)	(105,416)
Unwinding of interest	37,642	99,186
Carrying amount of liability	<u>369,626</u>	<u>993,770</u>

Terms and conditions

The remaining convertible notes have the following key terms:

- Face value of \$400,000.
- 26,666,667 (pre-consolidation) converting notes with a face value of \$0.015 each.
- Interest on each converting note accrues daily and is calculated and paid quarterly at an interest rate of 5%.
- The notes matured on 31 July 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

14. Provisions (Current)

	Consolidated	
	2016	2015
	\$	\$
Current		
Rehabilitation and restoration	-	30,000
Reclassified as liabilities associated with assets held for sale (note 22)	-	(30,000)
	-	-

15. Provisions (Non-current)

	Consolidated	
	2016	2015
	\$	\$
Non-current		
Rehabilitation and restoration ²	-	3,500,000
Deferred vendor consideration ¹	-	1,000,000
Reclassified as liabilities associated with assets held for sale (note 22)	-	(4,500,000)
	-	-

1. Relates to deferred purchase consideration payable to the vendor of the Kirkalocka Plant, subject to and upon commencement of gold production from the Kirkalocka Plant (or alternatively on the sale of the Kirkalocka Plant).
2. The non-current rehabilitation and restoration provision is the estimated environmental rehabilitation costs for the Kirkalocka Project.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

16. Issued capital

		Consolidated	
		2016	2015
		\$	\$
(a)	Issued Capital	34,757,895	34,701,557
		Number of shares	\$
(b)	Movements in ordinary shares on issue		
	At 1 July 2014	538,020,816	34,056,174
	- Placement (18 September 2014)	80,000,000	120,000
	- Placement (21 November 2014)	60,000,000	90,000
	- Rights issue (December 2014)	412,013,877	412,014
	- Placement (1 June 2015)	150,000,000	225,000
	- Capital raising costs		(201,631)
	At 30 June 2015	1,240,034,693	34,701,557
	At 1 July 2015	1,240,034,693	34,701,557
	-Share based payment (30 September 2015)	15,000,000	60,000
	-New Issue (1 March 2016)	3,167	19
	-Capital raising costs	-	(3,681)
	At 30 June 2016	1,255,037,860	34,757,895

(c) Options - movement for the year ended 30 June 2016 is as below (on a pre consolidation basis):

Exercise price (\$)	Expiry date	Balance at beginning of year (Number)	Issued during year (Number)	Expired during year (Number)	Balance at end of year (Number)
\$0.006	31 December 2018	276,006,939	82,500,000	(3,167)	358,503,772
\$0.006	31 December 2018	90,000,000	-	-	90,000,000
		366,006,939	82,500,000	-	448,503,772
Weighted Average Price (\$)		\$0.006	-	(3,167)	\$0.006

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

16. Issued capital (continued)

- (d) Performance rights

There were no Performance Rights issued to employees and directors during the year.

17. Reserves

- (a) Convertible notes reserve

	Consolidated	
	2016	2015
	\$	\$
<i>Movement in convertible notes reserve</i>		
Balance at 1 July	332,622	332,622
Issue of new convertible notes	68,016	-
Balance at 30 June	400,638	332,622

The convertible notes reserve is used to record the equity component of convertible notes issued by the Company.

- (b) Option premium reserve

	Consolidated	
	2016	2015
	\$	\$
<i>Movement in option premium reserve</i>		
Balance at 1 July	206,905	-
Options issued during the year	-	206,905
At 30 June	206,905	206,905

The option premium reserve is used to record the value of options issued to raise capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

17. Reserves (continued)

(c) Equity benefits reserve

	Consolidated	
	2016	2015
	\$	\$
<i>Movement in equity benefits reserve</i>		
Balance at 1 July	2,857,470	2,765,649
Options issued during the year	7,500	91,821
At 30 June	2,864,970	2,857,470

The equity benefits reserve is used to record the value of equity benefits provided to employees, directors and consultants as part of their remuneration.

18. Remuneration of auditors

	Consolidated	
	2016	2015
	\$	\$
The auditor of Mount Magnet South Limited is HLB Mann Judd		
Amounts received & receivable by the auditor :		
- an audit or review of the financial report of the Group	26,000	30,000
- a non-audit services ¹	4,500	-
	30,500	30,000

- Interim fee for Independent Accountants Report for the acquisition of Gameday International Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

19. Financial Instruments

The Group's principal financial instruments comprise cash and short-term deposits and convertible notes.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial liabilities such as trade payables, which arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow 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.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term deposits with a floating interest rate.

The Group's exposure to interest rate on financial assets and financial liabilities is detailed in the sensitivity analysis section of this note.

(b) Sensitivity analysis

During 2016, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in post-tax result for the year. The impact on equity would have been the same.

(c) Net fair values

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities approximates their carrying value.

(d) Commodity price risk

The Group's exposure to price risk is minimal.

(e) Credit risk

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised third parties, there is no requirement for collateral.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2016 (continued)****19. Financial Instruments (continued)**

(f) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of share issues and convertible notes.

The Group's payment commitments at 30 June 2016 were as follows:

Description	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Consolidated	\$	\$	\$	\$	\$
Payables & Accruals	221,730	-	-	-	221,730
Convertible notes	-	400,000	-	-	400,000
Amount due under contract of sale	-	-	-	-	-
Rehabilitation & restoration	-	-	-	-	-
	221,730	400,000	-	-	621,730

The Group's payment commitments at 30 June 2015 were as follows:

Description	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Consolidated	\$	\$	\$	\$	\$
Payables & Accruals	235,829	-	-	-	235,829
Convertible notes	-	1,000,000	-	-	1,000,000
Amount due under contract of sale	-	-	-	1,000,000 ¹	1,000,000
Rehabilitation & restoration	-	-	30,000	3,500,000 ²	3,530,000
	235,829	1,000,000	30,000	4,500,000	5,765,829

¹Amount due under contract of sale is payable to the vendor of the Kirkalocka Plant, subject to and upon commencement of gold production from the Kirkalocka Plant (or alternatively sale of the Kirkalocka Plant). Refer Note 15. This was assumed by Minjar Gold Pty Ltd upon completion of the sale during the period.

²The rehabilitation liability for the Kirkalocka Gold Project was assumed by Minjar Gold Pty Ltd upon completion of the sale during the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

19. Financial Instruments (continued)

(g) Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's past activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Group funding being equity raisings and unsecured convertible notes. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating fund raisings as required.

20. Commitments and contingencies

Operating lease commitments – Group as lessee

In 2015, the Group entered into a commercial lease for its office premises and office equipment. These leases have since finished and there are no lease commitments as at 30 June 2016.

	Consolidated	
	2016	2015
	\$	\$
Within one year	-	7,740
Total minimum contract payments	-	7,740

Mineral exploration commitments

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirements up until expiry of the leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	Consolidated	
	2016	2015
	\$	\$
Within one year	-	1,256,800

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2016 (continued)****21. Key Management Personnel Compensation and Related Party Disclosures**

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

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

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	108,000	106,199
Post-employment benefits	7,500	2,013
Total KMP compensation	115,500	108,212

Transactions with related entities

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

During the year, no fees were paid to Somers and Partners Pty ("SP"), an entity in which Mr Pismiris is a Director of Corporate Finance. The Company has appointed SP to act as lead manager to the public offer up to 37,500,000 Shares at an issue price of \$0.08 each to raise up to \$3,000,000 (before costs) under a Prospectus. In consideration for its services, SP will be entitled to receive a management fee of \$10,000 and a 6% capital raising fee of the total amount raised under the public offer (all fees exclusive of GST).

During the year, no fees (2015: \$73,961 included in finance costs) were paid to Capital Investment Partners Pty ("CIP"), an entity in which Mr Pismiris was a director. During the prior year CIP was engaged by the Company for the following corporate advisory roles:

- the Company appointed CIP as the Underwriter to the pro-rata non-renounceable entitlement offer made on the basis that for every three shares held, shareholders had the right to subscribe for two new shares at an issue price of \$0.001 and one option for every two new shares subscribed for at an issue price of \$0.001 to raise approximately \$618,000 before costs. Under the terms of the Underwriting Agreement SP was paid:
 - an underwriting fee of \$37,081 representing 6% of the amount underwritten;
 - reimbursement of legal fees of \$780; and
 - a management fee of \$10,000;
- the Company appointed CIP as the Lead Manager to both placements undertaken during the reporting period and was paid capital raising fees of \$26,100 representing 6% of the amounts raised.

During the year, fees for Mr Pismiris' services totalling \$60,000 (2015: \$55,000) were paid to Lexcon Services Pty Ltd, an entity controlled by Mr Pismiris. Further details are in the Remuneration Report in the Directors' Report. These amounts have been included in the Remuneration Report.

Company secretarial and accounting fees of nil (2015: \$34,124 company secretarial services only) have been paid or are payable to Corporate Consultants Pty Ltd, a firm in which Mr Shah and Mr Flint are stakeholders.

Outstanding balances due to related parties at year-end with respect to the above transactions were \$9,700 (2015: \$55,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

22. Assets and liabilities held for sale

On 25 March 2015, the Company entered into a conditional binding offer with Ozchina Enterprises Pty Ltd ("Ozchina"), whereby Ozchina agreed to acquire the Kirkalocka Gold Project for a cash consideration of \$1,700,000 subject to various conditions precedent. The agreement was subsequently assigned to Minjar Gold Pty Ltd ("Minjar") with the consent of the Company. The formal sale and purchase agreements comprising a Plant Sale Agreement and a Tenement Sale Agreement were executed on 14 July 2015 and the sale remains subject to shareholder approval.

Consideration received or receivable

	Consolidated 2015 \$
Cash and short term deposits	1,700,000
Less cost to sell	(202,000)
Total disposal consideration	1,498,000
Less: net assets disposed of	(1,498,000)
Gain on disposal before income tax	-
Income tax expense	-
Loss on disposal after income tax	-

Assets and liabilities held for sale

The major classes of assets and liabilities of comprising the operations classified as held for sale at balance date are as follows:

	Consolidated 2015 \$
<u>Assets</u>	
Property, plant and equipment (Note 8)	3,000,000
Deferred exploration and evaluation expenditure (Note 9)	3,025,611
Inventory	2,389
Total assets held for sale	6,028,000
<u>Liabilities</u>	
Provision for rehabilitation (Note 14 and 15)	(3,530,000)
Deferred Vendor consideration (Note 15)	(1,000,000)
Total liabilities held for sale	(4,530,000)
Net assets classified as held for sale	1,498,000

23. Details of the controlled entity

The consolidated financial statements include the financial statements of Mount Magnet South Limited and the subsidiary Mount Magnet Iron Pty Ltd (previously Airborne Geoscience Exploration Pty Ltd), a Company incorporated in Australia. Mount Magnet South Limited owns 100% of the issued ordinary shares in Mount Magnet Iron Pty Ltd (2015: 100%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016 (continued)

24. Parent entity disclosures

As the subsidiary referred to above is a dormant entity that has no assets or liabilities, the Parent entity disclosures are identical to the Group's disclosures in the Statement of Financial Position and the Statement of Comprehensive Income.

25. Events Subsequent to Reporting Date

At a general meeting of shareholders held on 27 July 2016 the following resolutions relating to the acquisition of Gameday were approved by shareholders:

- Approval of Change of Nature and Scale of Activities;
- Approval of Consolidation Capital on the basis that 20 shares to be consolidated into 1 share;
- Approval Issue of consideration securities comprising of 44,000,000 shares and 40,000,004 Performance Shares;
- Approval of a creation of a new class of Securities – Performance Shares;
- Approval of Capital Raising Share up to 37,500,000 shares;
- Approval Issue of 450,000 Advisor Shares;
- Grant of 7,500,000 Lead Manager Options;
- Approval of Change of Company Name to Impression Healthcare Limited; and
- Appointment of Messrs Blake, Weston, Smith and Worsfold as Directors.

The securities of MMS were suspended from official quotation immediately following the general meeting of shareholders held on 27 July 2016 at which the change in the nature and scale of the Company's activities was approved. The Company's securities remain suspended from quotation pending compliance with Chapters 1 and 2 of the Listing Rules.

Following shareholder approval, the Company completed a consolidation of shares, options and convertible notes on issue on a 1 for 20 basis.

On 25 August 2016 the Company lodged a Prospectus with ASIC for a public offer of up to 37,500,000 Shares at an issue price of \$0.08 each to raise up to \$3,000,000 (before costs).

On the 28 September 2016 the Company announced that it has received over subscriptions to the full \$3,000,000 pursuant to its Replacement Prospectus lodged with the ASIC on the 6 September 2016. The Company has extended the offer period from initially proposed date of 28 September 2016 to the 5 October 2016 to provide sufficient time for all funds transferred to reach the Company's bank account and associated administrative tasks to be completed.

26. Segment Information

During the year, the Group operated predominately in the one business and geographical segment being the mineral exploration sector in Western Australia. Accordingly only one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

DIRECTORS' DECLARATION

1. In the opinion of the Directors:
 - a. the accompanying financial statements, notes and additional disclosures are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year then ended; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001; and
 - b. subject to the matters set out in note 1 "Going Concern", there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
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 the financial year ended 30 June 2016.

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



Alec Pismiris
Chairman
Dated this 29 September 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Mount Magnet South Limited

Report on the Financial Report

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

Directors' responsibility for the financial report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Mount Magnet South Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial report which indicates that the Company will be required to raise additional funding to enable it to continue as a going concern. If the Company does not obtain sufficient funding as outlined in Note 1, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

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

Auditor's opinion

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



HLB Mann Judd
Chartered Accountants



N G Neill
Partner

Perth, Western Australia
29 September 2016

CORPORATE GOVERNANCE STATEMENT

Mount Magnet South Limited, ("MMS" or "the Company") and its controlled entities (the "Group") have adopted the corporate governance framework and practices set out in this statement. The Board of the Company is responsible for its corporate governance, that is, the system by which the Group is managed. The corporate governance framework and practices have been in place throughout the financial year, and comply with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Recommendations"), unless otherwise stated below.

This statement has been approved by the Board, and the information in the statement remains current as at 28 September 2016. Company policies and charters are available in the 'Corporate' section of the Company's website at www.mountmagnet.com.au.

Principle 1: Lay Solid Foundations for Management and Oversight

1.1 Role of the Board and Management

The Board is responsible for evaluating and setting the strategic direction for the Group, establishing goals for management and monitoring the achievement of those goals.

The Board has responsibility for the following:

- appointing and removing the Chief Executive Officer ("CEO") and managing director, chief financial officer ("CFO"), company secretary and any other executives and approving their remuneration;
- determining the strategic direction of the Group and measuring performance of management against approved strategies;
- review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- adopting operating and capital expenditure budgets at the commencement of each financial year, approving acquisitions and divestitures, and monitoring progress by both financial and non-financial key performance indicators;
- monitoring the Group's medium term capital and cash flow requirements;
- approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are continually reviewed and improved as required.

1.2 Information on New Directors

The Company has access to an external supplier to undertake appropriate checks on any potential director appointments. Under the Company's Constitution, all directors appointed throughout the year as an additional director or to fill a casual vacancy hold office to the AGM. Current directors hold office and are required to be considered by Shareholders for re-election under the Listing Rules.

All directors, whether appointed throughout the year as an additional director or to fill a casual vacancy or who are due for election under the Listing Rules, are disclosed in the Notice of AGM, with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. The company's constitution provides that at each annual general meeting, one third of the Board (other than any managing director in office from time to time) or, if their number is not a multiple of three, the number nearest to one third, must retire and, if the retiring directors so chose, may offer themselves for re-election.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

1.3 Contracts with Directors

On appointment, directors are provided with a formal letter of appointment and executive management with written employment agreements incorporating job descriptions (where relevant).

1.4 Professional Advice

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

The finance function is outsourced to an external consultant with appropriate skills. The company secretarial function is currently performed by Shaun Menezes. The Company Secretary is accountable to the Board through the Chairman on corporate governance matters pertaining to the company secretarial role. All directors have access to the Company Secretary.

1.5 Diversity

Recommendation 1.5 is that the Company should establish and disclose a diversity policy. Due to the Company's size and nature of operations, the Board has not yet implemented a diversity policy but the Board recognises the value of diversity and the opportunities that it brings. As the Company grows and positions become available, the Board remains conscious of the requirement to establish a diversity policy and will seek to promote and increase diversity.

Recommendation 1.5 also states that the Company should report against a set of measurable objectives for achieving gender diversity. Due to the Company's size and nature of operations, the Board has not yet established measurable objectives for achieving gender diversity.

The Company currently has no permanent full-time employees and uses the services of a number of consultants. There are three directors on the Board, all of whom are male.

1.6 Performance Review – Board and Directors

Due to the size of the Company and the Board, an informal self-assessment is normally undertaken in relation to the Board's collective performance and the performance of the Chairman and individual directors during each financial year. There are currently no formal policies in place for these evaluations. The Board, its committees and non-executive directors continually monitors its performance during the year in accordance with the processes described above.

Recommendation 1.6 includes the requirement to disclose whether a performance evaluation for the Board and directors has taken place in the reporting period. A formal self-assessment was not performed during the 2015 financial year but a performance review is scheduled to take place in the next financial period.

1.7 Performance Review – senior executives

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings, incorporating analysis of key performance indicators with each individual, to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

1.7 Performance Review – senior executives (continued)

Recommendation 1.7 includes a requirement to disclose whether a performance evaluation for senior executives has taken place in the reporting period. Due to the changes in the employment arrangements that occurred during the year, this process was not undertaken during the 2015 financial year.

Principle 2: Structure of the Board to Add Value

2.1 Nomination Committee

Recommendation 2.1 is that the Board should establish a nomination committee. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a nomination committee at this time. The Board as a whole considers the following factors when selecting new directors and when recommending directors to shareholders for appointment or re-election:

- the aim of having a majority of independent directors on the Board and of having an independent non-executive chairman;
- the aim of having an independent director, other than the Board chairman, as the chairman of the Audit and Risk Management Committee;
- that between them, the directors have the appropriate skill base and range of expertise, experience and diversity to discharge the Board's mandate;
- that each individual director has sufficient time to meet his/her commitments as a director of the Company;
- the duration of each existing director's tenure, noting the retirement provisions of the Constitution as set out below; and
- whether the size of the Board is appropriate to facilitate effective discussions and efficient decision-making.

Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board. To date, new candidates to join the Board have predominantly been sought through referrals, rather than through professional intermediaries.

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. Under the Company's Constitution a director (other than the managing director and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his/her last appointment. The nomination of existing directors for reappointment is not automatic and is contingent on performance and on the current and future needs of the Company.

2.2 Board Skills Matrix

The Board has developed a Board skills matrix, to simplify the process for identifying any 'gaps' in the Board's skills, expertise and experience. As part of the review of the skills matrix the Board monitor the skills, expertise and experience that are relevant to the Company and assesses those requirements against the collective attributes of the directors. The Board skills matrix will be reviewed by the directors on an annual basis.

Details of the Directors' skills, experience, expertise and attendance at meetings are set out in the Directors' Report in each year's Annual Report.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

2.3/2.4 Independent Directors

The Company currently has the following Board members, who served as directors throughout the year unless otherwise stated below:

- Mr Alec Pismiris Non-executive Chairman
- Mr David Leavy Independent non-executive director
- Mr Michael Fennell Non-executive director

Details of the directors' skills, experience, expertise, special responsibilities, attendance at Board meetings and dates of appointment are set out in the directors' report.

In assessing the independence of the directors, the Board has defined an independent director as a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member;
- has not within the last three years been a principal or employee 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;
- 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;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- 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.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

Alec Pismiris is a Director of Corporate Finance with Somers and Partners Pty Ltd, which has been engaged to act as lead manager to the public offer of shares under a Prospectus and is therefore not independent.

Michael Fennell is a Director of Corporate Finance with Somers and Partners Pty Ltd, which has been engaged to act as lead manager to the public offer of shares under a Prospectus and is therefore not independent.

David Leavy is deemed to be an independent director.

The Company's Constitution provides that the number of directors shall not be less than three and not more than seven. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent non-executive directors. The Board believes that the three individuals on the Board can, and do, make independent judgments and act in the best interests of shareholders.

In accordance with the Corporations Act 2001 and the Company's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

2.5 Chairman

Alec Pismiris performs the role of chairman.

The Chairman's responsibilities include leadership of the Board and the efficient organisation and conduct of the functioning of the Board. The Board generally manages the day-to-day affairs of the Group.

2.6 Director Induction

The Board implements an induction program for new Directors which involves providing information about the company, its constitution and policies and practices. The Board is continually informed by Senior Management of key developments in the Company's business and the industry in which the Company operates.

Principle 3. Act ethically and responsibly

3.1 Code of Conduct

The Group has a Code of Business Conduct in place which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All Group personnel and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen, which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

Any member of Group personnel that breaches the Code of Ethics and Conduct may face disciplinary action. If a member of Group personnel suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No member of Group personnel will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

The Code of Business Conduct is available on the Company's website.

Principle 4. Safeguard Integrity in Corporate Reporting

4.1 Audit Committee

Recommendation 4.1 is that the Board should establish an Audit and Risk Management Committee. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of an audit committee at this time. During the year, the full Board reviews the integrity of the Company's financial reporting and the processes to ensure the independence and competence of the external auditors.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 4. Safeguard Integrity in Corporate Reporting (continued)

4.1 *Audit Committee (continued)*

The Board currently fulfils the responsibilities which are usually assigned to an audit committee including:

- considering whether the Company's financial statements reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company;
- ensuring that the quality of financial controls is appropriate for the business of the Company;
- considering the appointment or removal of the external auditor, the rotation of the external audit partner and approving the remuneration and terms of engagement of the external auditor;
- monitoring and reviewing the external auditor's independence, objectivity and performance, taking into consideration relevant professional and regulatory requirements; and
- reviewing the Company's risk management and internal control systems.

4.2 *CEO/CFO declarations*

The Board has received a written assurance from the Company Secretary for each financial reporting period that in their opinion, the declaration provided by them in accordance with section 295A of the Corporations Act 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.

4.3 *External Auditors present at the Annual Meeting*

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is considered annually and applications for tender for external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The audit engagement partner is rotated periodically, as required by the Corporations Act.

A representative from the external auditor attends each annual general meeting to answer any questions concerning the audit of the Group and the contents of the auditor's report.

Principle 5. Make Timely and Balanced Disclosure

5.1 *Market Disclosure Policy*

The Market Disclosure Policy requires executive management to determine when a market release is required to comply with the ASX Listing Rule continuous disclosure requirements. The Policy sets out details of accountability for the preparation and approval of ASX releases, and is available on the Company's website.

Principle 6. Respect the Rights of Shareholders

6.1 *Website Information*

The Company discloses information about itself, ASX announcements, its Corporate Governance Statement and all its Corporate Governance Policies on the Company's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 6. Respect the Rights of Shareholders (continued)

6.2 *Investor Relations*

The Group places considerable importance on effective communications with shareholders.

The Group communicates with shareholders and other stakeholders in an open, regular and timely manner, so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The following communications are posted on the Company's website:

- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- presentations at the Annual General Meeting/General Meetings;
- Annual Report; and
- other announcements lodged with ASX.

6.3 *Participation at Shareholder Meetings*

The Board encourages full participation of shareholders at the Annual General Meeting. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

6.4 *Electronic Communications*

Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items of business to be considered at general meetings.

Principle 7. Recognise and Manage Risk

7.1 *Risk Committee*

Recommendation 7.1 is that the Board should establish a committee to oversee risk. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a risk committee at this time.

The Board currently fulfils the responsibilities which are usually assigned to a risk committee. Senior executives and the Board regularly consider strategic and operational areas of risk for the Group and records any remedial action the Group has taken in the management of those risks.

7.2 *Risk Management Review*

Recommendation 7.2 is that the Board or a Committee should review the risk management framework at least annually. During the year, ongoing monitoring, mitigating and reporting on material risks by senior executives and the Board took place in accordance with the processes disclosed.

The Board has established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards. The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

7.2 Risk Management Review (continued)

Key elements of the Group's internal control systems include:

- the Code of Conduct, which sets out an ethical and legal framework for all employees in the conduct of the Group's business; and
- financial and reporting systems to provide timely, relevant and reliable information to management and the Board.

During the year and up to the date of this statement, management and the Company Secretary reported directly to the Board on the Group's key risks and the effectiveness of the Company's management of those risks.

7.3 Internal Audit Function

The Board, has determined not to have an internal audit function due to the size of the Company.

The Company's external auditors are engaged to perform a half year review and full year audit as required under the Corporations Act 2001. Senior executives and the Board have regular meetings and contact with the external auditors during the year and for the review and audits.

7.4 Material Exposure to Risk

Recommendation 7.4 is that the Board should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if so, how it manages those risks. The Group believes that the following operational risks are inherent in the industry in which the Group operates, having regard to the Group's circumstances (including financial resources, prospects and size):

- fluctuations in commodity prices and exchange rates;
- accuracy of mineral reserve and resource estimates;
- reliance on licenses, permits and approvals from governmental authorities;
- ability to obtain additional financing;
- acquisition of new business opportunities; and
- changed operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by the Group, and are not necessarily an exhaustive list.

Principle 8. Remunerate Fairly and Responsibly

8.1 Remuneration Committee

Recommendation 8.1 is that the Board should establish a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company.

Details of the Group's remuneration policy are set out in the remuneration report.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 8. Remunerate Fairly and Responsibly (continued)

8.2 *Remuneration Disclosure for Non-Executive and Executive Directors (continued)*

The remuneration of non-executive directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry. Due to the size of the Company, the structure of both executive and non-executive directors' remuneration includes a long-term incentive component, linked to the performance of the Group.

The non-executive directors receive no retirement benefits, other than statutory superannuation contributions. Any increase in the maximum total remuneration of the non-executive directors of the Company, which is set at \$500,000 is subject to the approval of shareholders. Further information on directors' and executives' remuneration is set out in the directors' report under the heading Remuneration Report in the Directors' Report in each year's Annual Report.

Any directors or MMS personnel participating in equity-based remuneration schemes are prohibited from entering into transactions in associated products which limit the economic risk of their unvested entitlements.

SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Limited Listing Rules, and not disclosed elsewhere in this report.

SHAREHOLDINGS

An extract of the Company's register of substantial shareholders is set out below:

	Number of fully paid ordinary shares
ZERO NOM PL	4,068,007
DAHIMA PL	2,750,000

CLASS OF SHARES AND VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

Options do not carry any voting rights.

DISTRIBUTION OF SHAREHOLDERS (as at 19 September 2016)

Range	Total Holders	Units	% Issued Capital
1 - 1,000	50	15,825	0.02%
1,001 - 5,000	67	210,177	0.33%
5,001 - 10,000	38	294,761	0.46%
10,001 - 100,000	211	8,561,215	13.61%
100,001 - 9,999,999,999	95	54,578,256	85.73%
Total	461	63,660,234	100.00%

There were 772 shareholders holding less than a marketable parcel at 14 September 2015.

DISTRIBUTION OF OPTIONHOLDERS (as at 19 September 2016)

Range	Total Holders	Units	% Issued Capital
1 - 1,000	55	20,440	0.12%
1,001 - 5,000	43	117,452	0.68%
5,001 - 10,000	10	74,229	0.43%
10,001 - 100,000	44	1,969,070	11.40%
100,001 - 9,999,999,999	47	15,085,666	87.37%
Total	199	17,266,857	100.00%

There is no current on-market buy back taking place.

During the reporting year the Company used its cash and assets in a manner consistent with its business objectives.

Unquoted equity securities

Class	Number
Options exercisable at \$0.006 and expiring 31 December 2018	90,000,000

TWENTY LARGEST SHAREHOLDERS (as at 19 September 2016)

	HOLDER NAME	NUMBER HELD	PERCENTAGE
1	ZERO NOM PL	4,068,007	6.39%
2	DAHIMA PL	2,750,000	4.32%
3	HSBC CUSTODY NOM AUST LTD	2,565,118	4.03%
4	GAB S/F PL	2,162,209	3.40%
5	ACP INV PL	2,125,000	3.34%
6	ALITIME NOM PL	1,850,000	2.91%
7	GAB SUPER FUND PL	1,772,327	2.78%
8	CAMILLERI CALCIDON	1,666,667	2.62%
9	CASSIM SALIM	1,406,415	2.21%
10	CAP INV PTNRS PL	1,375,933	2.16%
11	BERETTA NICKEL PL	1,264,996	1.99%
12	REDIMA PL	1,260,111	1.98%
13	BLACKWALL INV PL	1,250,000	1.96%
14	HEEDFUL PL	1,100,000	1.73%
15	RISING FAST HLDGS PL	1,100,000	1.73%
16	TOPAZE ENTPS PL	916,034	1.44%
17	NEESHAM DAVID C + P C	850,000	1.34%
18	ELLAZ PL	775,000	1.22%
19	FENNELL G J + C A	759,278	1.19%
20	MAINVIEW HLDGS PL	750,000	1.18%
		31,767,095	49.92%

TWENTY LARGEST OPTIONHOLDERS (as at 19 September 2016)

	HOLDER NAME	NUMBER HELD	PERCENTAGE
1	S2S INV HLDGS PL	1,000,000	5.79%
2	RISING FAST HLDGS PL	729,167	4.22%
3	HSBC CUSTODY NOM AUST LTD	713,402	4.13%
4	ALITIME NOM PL	600,000	3.47%
5	ZERO NOM PL	567,823	3.29%
6	CAP INV PTNRS PL	525,187	3.04%
7	ACP INV PL	500,000	2.90%
8	TOPAZE ENTPS PL	458,017	2.65%
9	CASSIM SALIM	447,950	2.59%
10	FENNELL G J + C A	438,389	2.54%
11	GAB S/F PL	434,442	2.50%
12	LOOBY ROBERT GREGORY	417,353	2.42%
13	MAINVIEW HLDGS PL	416,667	2.41%
14	ROWE ANGELA MAREE	400,000	2.32%
15	LOZIN MUST INV PL	400,000	2.32%
16	WISE DANIEL PAUL	341,666	1.98%
17	FLUE HLDGS PL	333,333	1.93%
18	ROJUL NOM PL	332,532	1.93%
19	ELLAZ PL	312,500	1.81%
20	HEEDFUL PL	311,304	1.80%
		9,677,732	65.23%