Mount Ridley Mines Limited

ABN 93 092 304 964

and its controlled entity

Annual report for the financial year ended 30 June 2017

Corporate directory

Board of Directors

Mr Michael Pedley	Non-Executive Chairman
Mr Ashley Hood	Managing Director
Mr Guy Le Page	Non-Executive Director

Company Secretary
Mr Johnathon Busing

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ASX Code
MRD

Annual report for the financial year ended 30 June 2017

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Directors' report

The directors of Mount Ridley Mines Limited ("Mount Ridley" or "the Company") submit herewith the annual report of Mount Ridley Mines Limited and its subsidiary ("the Group") for the financial year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the directors

The names and particulars of the directors of the Group who held office during or since the end of the financial year are:

Name	Particulars
Mr Michael Pedley *BCom, CA*	Non-Executive Chairman, joined the board on 5 November 2015 as Non-Executive Director. Mr Pedley is a member of Chartered Accountants Australia and New Zealand with over 22 years of public practice experience. He is the Managing Director and founder of Odyssey Tax & Accounting which provides a broad range of accounting and tax services to business clients and individuals. Mr Pedley has significant accounting, corporate and business management experience and is a consultant to several listed and non-listed companies.
Mr Ashley Hood	Managing Director, joined the board on 31 August 2016. Mr Hood has more than 15 years' experience in the mining industry working in mine and exploration operations for junior and large mining companies based in Australia and throughout the Pacific including New Zealand. He has broad senior management experience having held a number of ASX appointed board positions while working on some of Australia's major JORC resources. Mr Hood predominantly specialises in project/people management, native title negotiations, logistics, project diligence/acquisitions and has personally held and managed a number of his own exploration projects.
Mr Guy Le Page *BA, BSc (Hons), MBA, MAusIMM, FFIN*	Non-Executive Director, joined in the board on 19 December 2012. Mr Le Page is currently a director and corporate advisor of RM Corporate Finance specialising in resources. He is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles.

The following directors held office during the financial year:

- Mr Robert Downey – resigned 31 August 2016
- Mr Dean Goodwin – resigned 31 August 2016
- Mr Keith Bowker – resigned 14 June 2017

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Ashley Hood	Victory Mines Limited	Sept 2011 - May 2016
Guy Le Page	Red Sky Energy Ltd	Since December 2016
	Eden Innovations Ltd	Since February 2006
	Conico Limited	Since March 2006
	Tickforce Limited (*formerly Palace Resources Ltd*)	Aug 2009 - Mar 2015
Keith Bowker	Caeneus Minerals Ltd	Since April 2014
	Zinc of Ireland NL	Oct 2015 - July 2016

Directors' shareholdings

The following table sets out each director's relevant interest in shares and options in shares of the Company or a related body corporate as at the date of this report:

	Fully paid ordinary shares	Share options
Directors	**Number**	**Number**
Michael Pedley	9,277,751	10,000,000
Ashley Hood	7,701,893	10,000,000
Guy Le Page	14,687,500	-

Company Secretary

Johnathon Busing *BBus, CA*

Mr Busing held the position of company secretary of Mount Ridley Mines Ltd at the end of the financial year. He joined Mount Ridley in June 2017. Mr Busing is a member of Chartered Accountants Australia and New Zealand. His experience includes financial reporting of ASX listed companies, corporate compliance, corporate restructuring and taxation.

Dividends

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

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Grant date	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Mount Ridley Mines Limited[1]	16 Mar 2015	5,000,000	Ordinary	$0.070	31 Mar 2018
Mount Ridley Mines Limited[2]	29 Nov 2016	104,469,366	Ordinary	$0.030	30 Jun 2019
Mount Ridley Mines Limited[3]	11 Feb 2015	10,000,000	Ordinary	$0.021	31 Aug 2019
Mount Ridley Mines Limited[4]	Various	656,631,515	Ordinary	$0.0125	31 Aug 2019
Mount Ridley Mines Limited[5]	29 Nov 2016	22,500,000	Ordinary	$0.015	29 Nov 2019

[1] Unlisted options issued to lead broker pursuant to a Placement in March 2015.

[2] Unlisted options issued to an underwriter pursuant to an underwriting agreement in June 2016.

[3] Unlisted options issued to an ex director pursuant to a resolution passed at a General Meeting in February 2015.

[4] Unlisted options issued pursuant to resolutions passed at a General Meeting held in September 2014 and pursuant to Placements in November 2016 and July 2017.

[5] Unlisted options issued to directors of the Company pursuant to resolutions passed at the Annual General Meeting held in November 2016.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

No shares were issued during or since the end of the financial year as a result of the exercise of an option.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, four board meetings were held.

	Board of Directors	
Directors	**Held**	**Attended**
Michael Pedley	4	4
Ashley Hood	4	4
Guy Le Page	4	4
Keith Bowker	4	4
Robert Downey [1]	0	0
Dean Goodwin [2]	0	0

[1] Resigned 31 August 2016

[2] Resigned 31 August 2016

Proceedings on behalf of the Company

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

Non-audit services

The auditor did not perform any non-audit services during the financial year.

Auditor's independence declaration

The auditor's independence declaration is included on page 26 of this annual report and forms part of the directors' report.

Corporate governance

The directors support and adhere to the principles or corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. The Company's Corporate Governance Statement and its compliance with ASX guidelines can be found on the Company's website at www.mtridleymines.com.au. The policies and compliance as stated were in place for the whole year and are current as at the date of this report.

Operating and financial review

Principal activities

Mount Ridley Mines Limited is a Perth based Australian Exploration Company actively targeting nickel and copper sulphide deposits in the Albany Fraser Range region of Western Australia, 70kms north east of a major port in Esperance.

Operating results

The consolidated loss of the Group for the financial year, after providing for income tax, amounted to $2,782,789 (2016: $2,068,511). Further discussions on the Group's operations are provided below:

Review of operations

Exploration efforts were ramped up over a greater area during the past twelve months at the Company's 100% owned Mt Ridley flagship project to cover multiple new target areas using numerous exploration techniques to best understand the recently discovered mafic intrusive corridor and target an economic sulphide discovery.

The Company's Mt Ridley Project is approximately 70kms north-east of Esperance in the highly prospective Albany-Fraser Belt of Western Australia. The town of Esperance is well equipped with road, gas, rail and a deep-sea port ideally suited for any company exploring in this part of the Albany-Fraser Belt and aiming to go into production.

Exploration programmes in the September 2016 quarter largely revolved around the commencement and completion of diamond hole MRDD016 which was designed largely on an AMT phase anomaly. Previous holes in the vicinity (MRDD010, MRDD011 and MRDD012) contained encouraging varying widths of minor disseminated, globular and blebby nickel and copper sulphides in a perceived mafic/ultramafic intrusive unit.

MRDD016 was completed in October 2016 at a depth of 801m downhole. MRDD016 encountered numerous zones of weakly to moderately disseminated magmatic sulphide (pyrrhotite-chalcopyrite-pentlandite) bearing varitextured mafic and ultramafic rocks, intercalated with barren mafic-ultramafic, from the recommencement depth of 620m to 758m downhole. Widths of these zones varied from tens of centimetres up to 10m. The footwall contact of the mafic-ultramafic intrusive with the barren wall rock was encountered at 783m.

On 12 October 2016, the Company announced that following a DHTEM survey, it had located a localised off hole conductor. Modelling defined a strong (>10,000 Siemens) local conductor centred at approximately 650m downhole, immediately off-hole below and to the east of MRDD016.

MRDD017 was planned and designed to test the off hole conductor detected down MRRD016. Unfortunately due to a previously unknown shear zone sub-parallel to the new hole, an axis was encountered from approximately 200 meters downhole depth. Drilling this fractured and highly foliated shear zone caused the hole to deviate. A wedge was set at 270m, designed to steer the hole back on course to the targeted EM anomaly, only to again encounter another fractured shear zone.

The substantial shear zone encountered contained abundant late carbonate-pyrite brittle fracture fill veinlets. Five reconnaissance core samples of the sheared material were taken and sent for assay at ALS Laboratory in Perth WA (see ASX announcement 28th November 2016). Assay results returned from the carbonate-pyrite mineralised shear encountered at approximately 220m depth in MRDD017 unfortunately had no significant results to report.

On 28 November 2016, Hole MRDD017 had been terminated at 410m after a Gyro survey, due to excess deviation that had taken the hole too far off the planned course. The extreme deviation due to geological conditions nullified the effects of the course correction and required replacement of a new hole. MRDD018, was planned to allow for the exact type of deviation encountered lower in MRDD016, and encountered in hole MRDD017.

MRDD018 was completed early January 2017 at 732m downhole depth. The hole was terminated in barren homogenous gabbronorite. Due to hole deviation that resulted in the hole path steepening with depth, the hole passed down dip beneath the targeted EM plate. The hole encountered an over-pressurised pocket of hypersaline water and clay in a fault at a downhole depth of 705 meters. The hole did not encounter any other geological features that would give a conductive response. Due to the positive overpressure and flowing water from the fault system encountered, it was not possible at that stage to conduct a downhole electromagnetic survey.

On 12 December 2016, the CSA Global - Mt Ridley Review was announced. The Company was proactive and had already been active in implementing exploration techniques and methods on a regional scale from this review (please refer to 12 December 2016 announcement).

In early 2017 an air core (AC) drilling bedrock geochemistry program and a High Powered Moving Loop (SAMSON) Time Domain Electromagnetics (HP MLTEM) survey had commenced at The Lake and Tyrrells Prospects.

The Lake and Tyrrells prospects were the focal point of geophysics exploration during the March quarter targeted with the newly combined gravity and magnetic data sets. Only approximately ~30% of the planned surveys (EM and AC) at The Lake were completed due to access difficulties due to an unusually wet summer season. Following this, the AC programs moved through the other untested new target areas, with Marcellus, Winston and Vincent targets all receiving AC drilling.

An auger geochemistry sampling program comprising of 1,084 samples was completed at the end of the March quarter. This survey was in the north-western section of the Company's tenement package. This programme was designed to test for Broken Hill style lead and zinc mineralisation. It was this specific style that brought BHP to the area in the 90's, with the assistance of CSA Global a number of favourable geological settings were targeted that had previously recorded little to no exploration activity. In parallel to the Broken Hill style exploration, samples are also being specifically tested for gold with a new in-field gold detecting technology trail collaborative program with CSRIO.

The June quarter included the announcement of three HP MLTEM bedrock anomalies, Plates A, B and C. These anomalies had subsequently been followed up with a 3-component fluxgate B-field MLTEM receiver system to confirm the anomalism and model their characteristics/signature in preparation for deep drill testing.

Interpreted geophysics plates A and B were modelled at approximately 4,000 - 6,000S conductance and situated approximately 150m – 250m from the surface. Given that previous diamond drilling in mid-2015 by the Company intercepted favourable nickel-copper sulphide bearing ultramafics, the Company's technical and management team believed these EM anomalies represented high-priority targets.

Plate C was located approximately 1,000m to the south, southeast of plates A and B. This conductive anomaly area was coincident with a combined magnetic and gravity anomaly interpreted to represent a buried mafic-ultramafic intrusive complex. Modelled plate C conductor was complex in geometry and response and had a conductance of ~3000-6000S.

Following the geophysics modelling all three conductor plates were drilled with RC pre collars, with plate A drilled to 186m, Plate B to 270m and Plate C to 198m for a total of 654 RC meters.

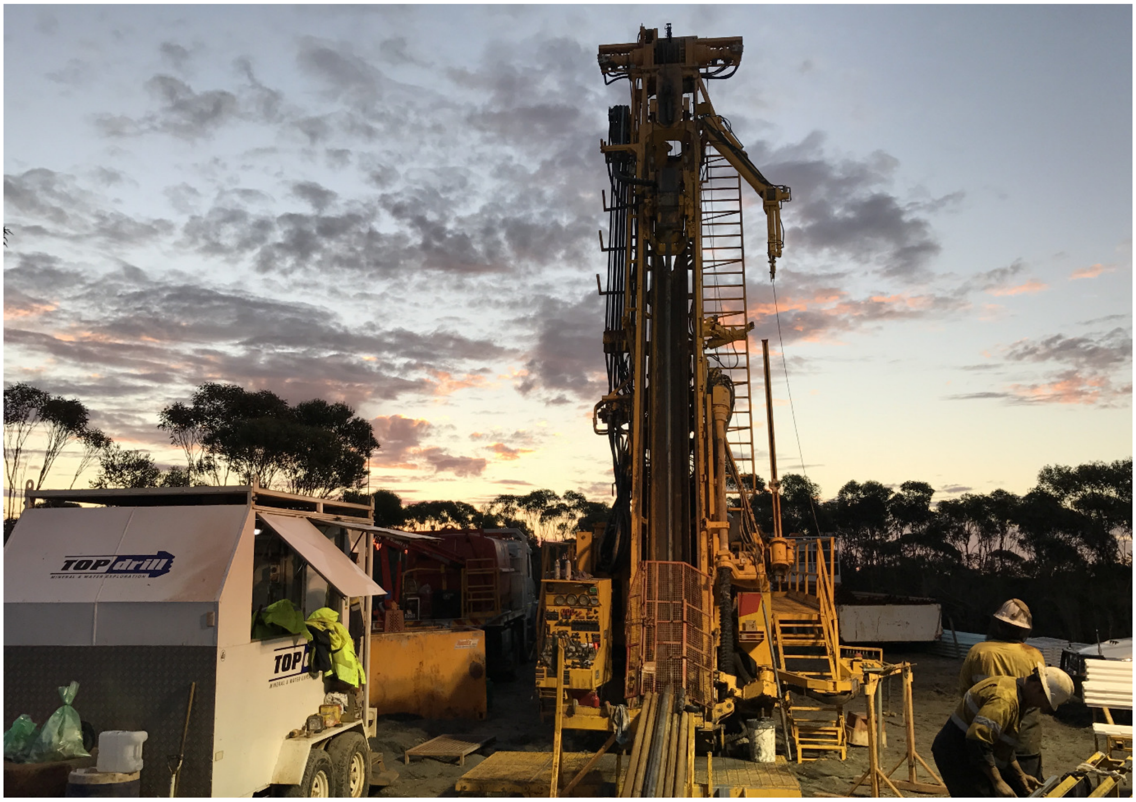
Diamond (drilling) tails were drilled to 450.8m EOH at Plate A for 264.8m, Plate B was completed to 401.7m EOH for 131.7m and Plate C was drilled to 577m EOH for 379m of diamond. Favourable geology in the form of pyroxene gabbros were encountered with varying amounts of shears, silicifiication with traces of sulphides.

The three holes were completed with down hole electromagnetics to test for the source of the surface SAMSON HP MLTEM conductors. Plate B had recorded a reduced size off hole conductor. Plate A also detected an off hole conductor, however the possible source is past the detection/modelling point. Plate C results unfortunately did not return a conclusive source of the anomaly detected during the surface HPMLTEM survey program. Due to combining factors, the Company has not progressed with these targets further to date.

Running in parallel with the HP MLTEM geophysics surveys the company kept busy with its AC drilling bed-rock geochemistry programs throughout the March and June quarters.

Air Core drilling was completed at The Lake, Keith's, Marcellus, Winston's and selected recon regional testing, 294 holes were drilled for 9,231m at an average of 37.07m per hole.

Geochemistry data has provided coincident nickel, copper and sulphur anomalies that warranted infill AC drilling at Keith's and The Lake areas. Once these anomalies were identified, they were infilled with AC drilling at a reduced density of 100m x 25m from 500x100. Infill assays warrant further investigation moving forward into the September quarter.



T19 Diamond Drilling & Down Hole EM

On 25 July 2016, the Company commenced diamond hole MRDD016 which was designed to test an AMT phase anomaly along with down dip/plunge of thick widths of minor disseminated, globular and blebby nickel and copper sulphides intersected in holes MRDD010, MRDD011 and MRDD012 and was originally planned for a target depth of 750-850m

On 13 September 2016, the Company announced a drilling update on diamond drill hole MRDD016 which intersected 287m of mafic to ultramafic intrusives from 333m to the end of the hole at 620m, the hole ended in sulphide-bearing mafic intrusive, and had not yet encountered the lower most contact of the intrusive with the surrounding footwall rocks.

Mineralised sections contained lightly disseminated and globular blebby sulphides. The sulphides are present in coarse grained mafic to ultramafic intrusive rocks identical to the units encountered in holes MRDD010, MRDD011 and MRDD012.

A new management team was appointed early September 2016. Technical management interpreted mineralisation encountered at 620m, suggested that the hole should be re-entered and continued to its original planned depth of 750-800m. As such on 21 September 2016, the Company recommenced the drilling of MRDD016. Once the target zone/geological contact zone was intersected down hole electromagnetic surveying (DHTEM) was again used to detect the possibility of any off hole conductors.

On 4 October 2016, the Company completed diamond hole MRDD016 at a depth of 801m downhole. MRDD016 encountered numerous zones of weakly to moderately disseminated magmatic sulphide (pyrrhotite-chalcopyrite-pentlandite) bearing varitextured mafic and ultramafic rocks, intercalated with barren mafic-ultramafic, from the recommencement depth of 620m to 758m downhole. Widths of these zones varied from 10's of centimetres up to 10m. The footwall contact of the mafic-ultramafic intrusive with the barren wall rock was encountered at 783m.

On 12 October 2016, the Company was pleased to announce that following a DHTEM survey a localised off hole conductor was detected. Modelling defined a strong (>10,000 Siemens) local conductor centred at approximately 650m downhole, immediately off-hole below and to the east of MRDD016.

The conductor was discrete and located approximately 10m off-hole. Given the encouraging geology, presence of disseminated magmatic nickel and copper sulphides at this depth together with the off-hole conductor, the results are interpreted to be consistent with a pocket of massive sulphide within the varitextured mineralised mafic-ultrmafic intrusive complex. A follow up drill hole, namely MRDD017, was designed to test this off hole conductor.

Diamond drill hole MRDD017 was drilled to a depth of 410m. A previously unknown shear zone sub-parallel to the new hole axis was encountered from approximately 200 meters downhole depth. Drilling this fractured and highly foliated shear zone caused the hole to deviate substantially to the west, off course from the intended target.

MRDD018, was planned to allow for the exact type of deviation encountered lower in MRDD016, and encountered in hole MRDD017. MRDD018 was completed at 732 m downhole depth. The hole was terminated in barren homogenous gabbronorite. Due to hole deviation that resulted in the hole path steepening with depth, the hole passed down dip beneath the targeted EM plate (see ASX announcement 12 October 2016). The hole encountered an over-pressurised pocket of hypersaline water and clay in a fault at a downhole depth of 705m. The hole did not encounter any other geological features that would give a conductive response. Due to the positive overpressure and flowing water from the fault system encountered, it is not possible at this stage to conduct a downhole electromagnetic survey.

MRDD018 was drilled down-dip of the EM plate modelled from MRDD016 and did not encounter any increased sulphide content, and has closed off the size potential for the conductive target. The decision was made to cease drilling operations for the time being at Target 19.

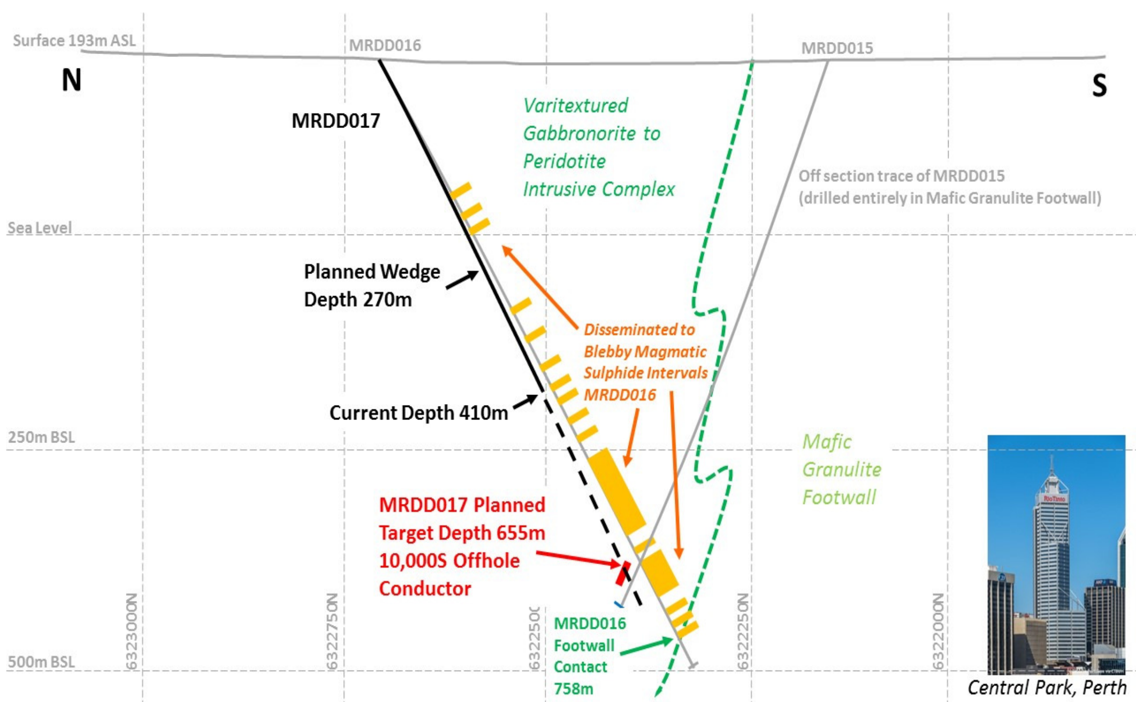


Figure 1 – Drill holes MRD015 to MRDD017 with geological and mineralisation interpretation.

In Figure 1, note that drill hole MRDD015 was drilled entirely in barren footwall mafic granulite, indicating that the contact between the footwall and the magmatic sulphide mineralised intrusive drilled in hole MRDD016, and targeted in hole MRDD017, passes off section between MRDD016-017 and MRDD015.

12 December 2016; CSA Executive Summary – Key Findings:

The Mt Ridley Nickel-Copper sulphide project has demonstrated potential for discovery of magmatic nickel-copper sulphide. The geology and geochemistry of the mafic-ultramafic intrusive-hosted nickel-copper sulphide systems drilled to date offer significant encouragement to continue exploration efforts.

The Mt Ridley project area most likely represents a previously unidentified Fraser Zone crustal element with what appear to be identical geochemical, geological and geophysical characteristics. The Fraser Zone is the host tectonic terrane to the Nova nickel-copper sulphide ore body some 400 kilometres to the northeast.

Previous exploration has apparently followed a somewhat narrow focus and an exploration model based on an incomplete understanding of the geological processes and physical properties of tholeiite intrusive-hosted nickel sulphide systems. Exploration targeting has been limited to follow-up on selected regional aeromagnetic anomalies interpreted to be intrusive complexes. To date, only four such features have received detailed follow-up – Targets 1, 2, 19 and 20. Other features, and other applicable techniques such as regional gravity and regional geochemistry, have not been tested. The great majority of the project area remains essentially unexplored, with many features indicated from the aeromagnetic and ongoing gravity data collection requiring follow-up exploration. Also, potential exists for intrusive complexes in the area with poor or no recognised aeromagnetic expression. To avoid missed opportunity, a targeting approach of utilising as a minimum a combined magnetics and gravity data set is recommended.

Initial assay geochemistry conducted by MRD utilised a very basic eight-element package that did not allow for meaningful assessment of mineralisation potential. A newer, expanded assay package now in use allows comparative geochemistry within the project as well as correlation with the Fraser Zone mafic intrusive suites from publicly available data. Such correlation shows that the Mt Ridley intrusive complexes drilled to date share telling similarities in magmatic and mineralisation history with the Fraser Zone mafic intrusives, and particularly the mineralised intrusive system that hosts the Nova orebody. Texturally, the mafic-ultramafic intrusive suites comprise for the main part varitextured gabbronorites, the varitexture indicating significant magmatic interaction with the surrounding country rocks, an essential process in forming magmatic nickel-copper sulphides. Albeit of low grade due to low sulphide content in the disseminated systems intersected to date, the tenor of the sulphides, or the nickel content of the sulphide phase, is moderate at approximately 3.5 to 4% nickel in sulphide. This is average for a true magmatic nickel sulphide system and indicates that sulphur saturation has occurred sufficiently early in the magmatic history to form good quality nickel sulphides. Such consistency of tenor offers encouragement that nickel grades can be reasonably expected to increase linearly with sulphide content.

The great majority of the drilling (14 of 16 diamond drill holes) has been concentrated into a limited area of target 19, leading to redundancy of drill and borehole geophysical data in such a limited space without consideration of the required size of target footprint. Within Target 19, targeting was driven primarily by poorly constrained geophysical interpretations, particularly of magnetotelluric data. The anomalies thought to be indicative of bedrock conductors interpreted in the 2D magnetotelluric data inversions have subsequently been repudiated by more sophisticated 3D inversion of the data. This 3D inversion shows these features are not real and are artificial artefacts of the 2D inversion process caused by a widespread highly conductive cover sequence. Such highly conductive cover means that magnetotellurics is ineffective as a direct detection technique in this type of terrain.

Target 19 has demonstrated excellent potential for hosting good tenor magmatic nickel-copper sulphides and remains open in all directions. Further exploration is recommended, utilising an approach of drilling and borehole geophysics that maximises area coverage while covering off the expected target footprint. The limited exploration conducted to date at Target 2 and Target 20 have not closed out opportunity for discovery at those targets. Target 2 offers encouragement for immediate continued exploration as previously identified ground EM anomalies have not been adequately tested. Further work is needed to constrain these EM anomalies prior to further drilling.

Detailed interpretation of the magnetic and gravity data is recommended to provide a geological framework for exploration, not just for nickel-copper, but also for other base metals and gold. To constrain the geological framework, regional geochemistry of bedrock is also recommended on traverses across features, structures and horizons identified from the geophysical data as areas of interest for these commodities. The area is considered prospective for Broken Hill-type Lead-Zinc deposits, and although of a lesser priority exploration should remain opportunistic to gold. Base metal prospectivity is interpreted to be greatest at the transition from magnetically complicated areas to areas that are magnetically quiescent, as this may represent the transition from active rifting to sag-phase sedimentation analogous to the Broken Hill orebody setting in NSW.

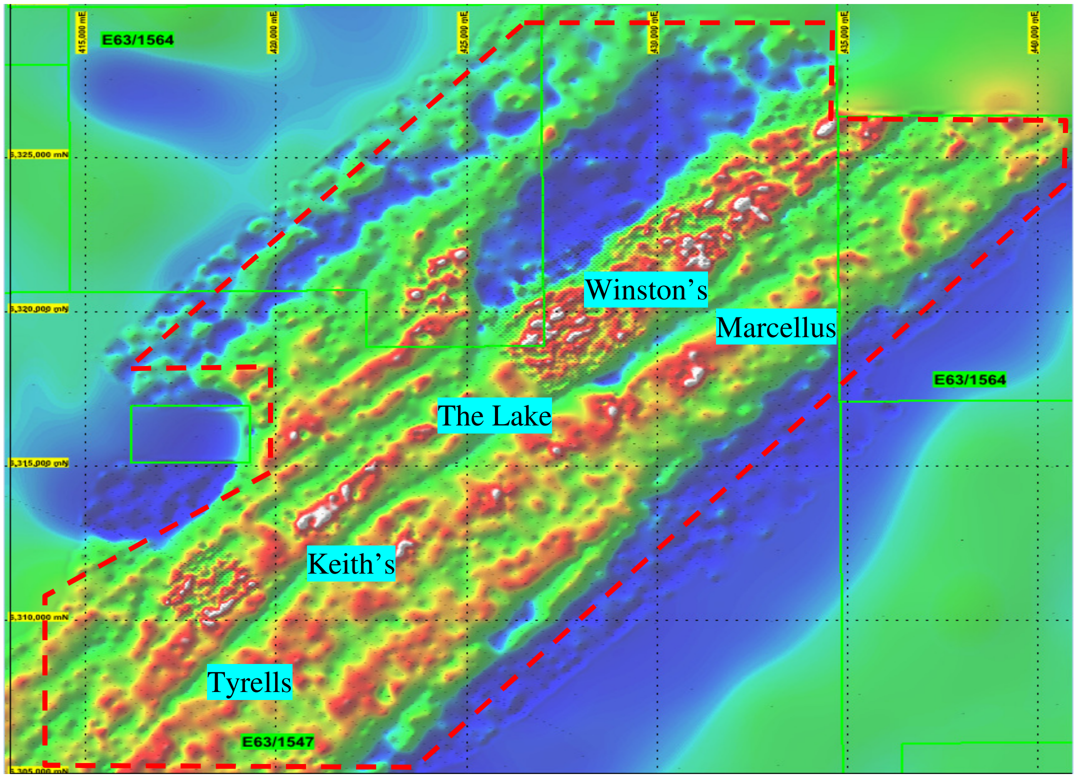
On 28 November 2016, the company announced and presented a power point presentation at its annual AGM which was very well received. Please refer to the ASX announcement on 28 November 2016.

Detailed ground gravity surveying was conducted throughout the November and December period as a follow up to the successful stage 1 completed and announced on 13 September 2016 and is covered below.

Ground Gravity completion

The entire gravity ridge at the Mt Ridley Project was completed early January 2017 with ground gravity, minor infill detailed work was also completed over local anomalies. The gravity ridge survey was completed in two stages, stage one was completed in August 2016 (ASX announcement 13 September 2016) and based on the success of these results the extended surveying of the remainder of the gravity ridge was then completed including areas on private farm land once grated access.

Key project areas derived from this survey include, Tyrrells, The Lake, Keith's, Winston's and Marcellus, these targets were the basis of new surveys in EM and AC for the March and June quarters.



High Powered Moving Loop (SAMSON) Time Domain Electromagnetics (HP MLTEM)

Geophysics technique – High Powered Moving Loop Time Domain Electromagnetics (HP MLTEM) surveying of The Lake and Tyrrell's Prospects using the SAMSON receiver were carried out over the March and June quarters.

At the Lake target only approximately 30% of the planned surveys were completed due to access difficulties due to the unseasonably wet summer season. On review of the combined AC and EM data that was collected and interpreted, the company believes sufficient information has been collected to assess prospectivity, at this stage and the remainder of the survey won't be completed.

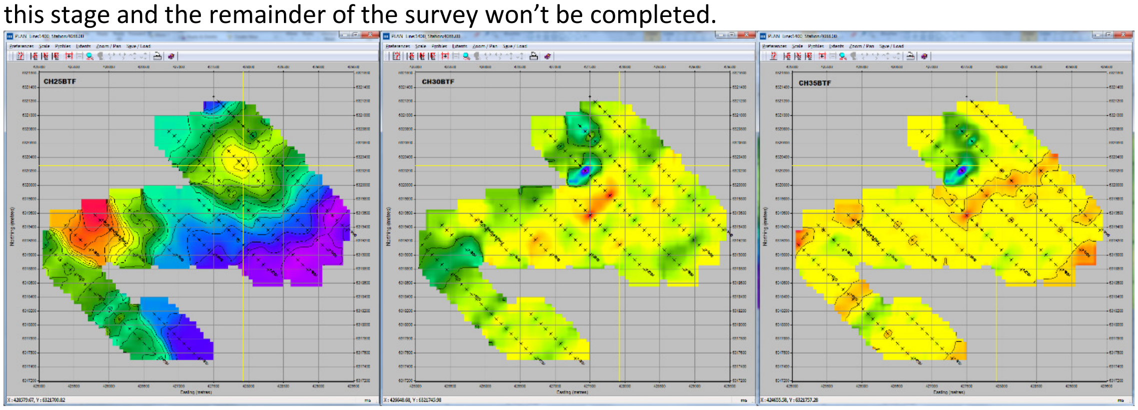
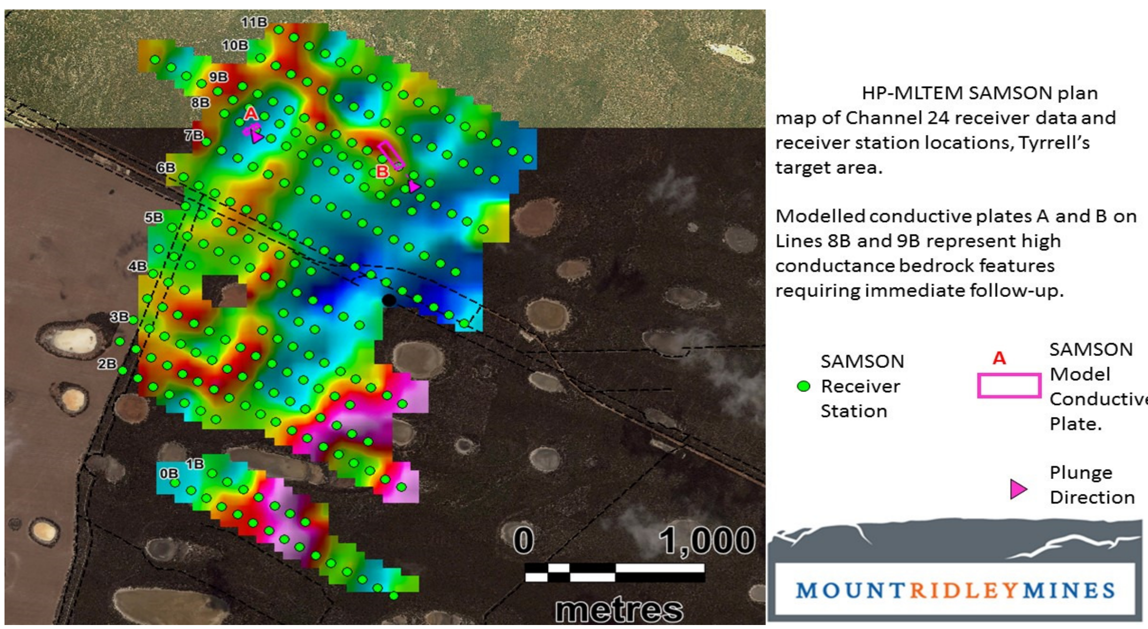


Figure 3: Gridded images of CH25, 30 & 35 BTF – The Lake target area

High Powered Moving Loop Time Domain Electromagnetics (HP MLTEM) surveying continued at the Tyrrell's Prospect again using the SAMSON receiver had identified several localised bedrock anomalies (Figure 2). The most significant detected was along lines 8B/9B of the HP MLTEM survey. These anomalies on lines 8B/9B had subsequently been followed up with a 3-component fluxgate B-field MLTEM receiver system to confirm the anomalism and model their characteristics/signature in preparation for drill testing.

Interpreted geophysics plates A and B on lines 8B/9B were modelled at approximately 4,000 - 6,000S conductance and situated approximately 150m – 250m from the surface. The plates were modelled steeply dipping in a north westerly direction, with surface strike extents of 50 -90m and a down dip extent of at least 150m for each conductor.

Historical diamond drill-hole MRDD001 was drilled within the Tyrrell's Prospect area, approximately 1,000m south-southeast of the current conductivity anomalies. This hole targeted a circular magnetic feature interpreted to represent a buried mafic-ultramafic intrusive complex (Figure 4; Target 2 – see ASX Announcement 27 July 2015). This drill hole encountered numerous zones of disseminated blebby magmatic nickel-copper sulphides with visible pentlandite and chalcopyrite in a thick package of magmatic mafic/ultramafic intrusive lithology.



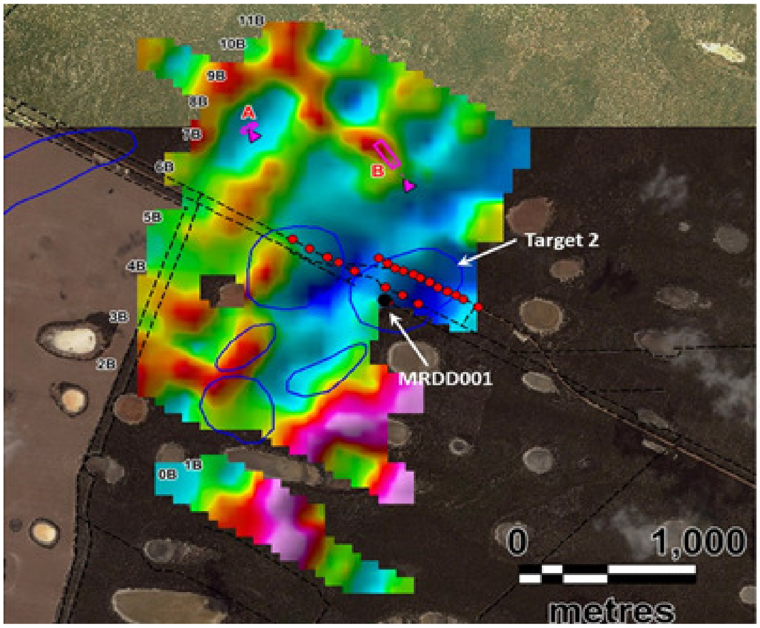


Figure 5. HP-MLTEM SAMSON plan map of Channel 24 receiver data and previous aircore and diamond drilling, relative to HP-MLTEM SAMSON modelled conductive plates A and B, Tyrrells target area.

Diamond hole MRDD001, targeted on remanent magnetic features at Target 2, encountered numerous blebby disseminated magmatic nickel-copper sulphide mineralised intervals within a thick mafic-ultramafic intrusive unit.

On completion of the modelled SAMSON receiver High Powered EM plates at the Tyrell's Prospect reverse circulation (RC) drilling (refer to and Figure 6 **below**) was planned.

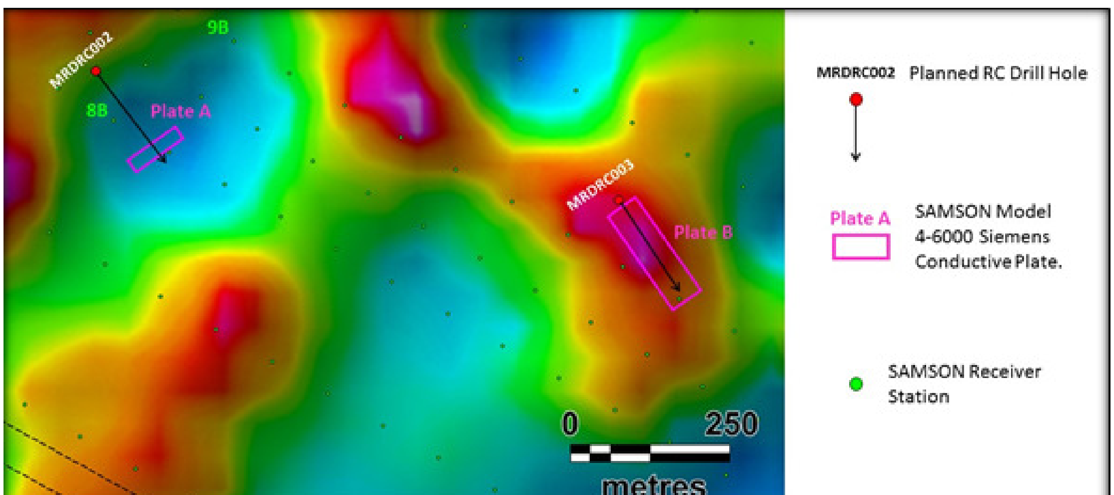


Figure 6. Location of planned RC drill holes MRDRC002 and 003 to target modelled conductive plates A and B.
HP-MLTEM SAMSON plan map of Channel 26 receiver data and receiver station locations, Tyrell's target area.

MOUNTRIDLEYMINES

Figure 7. Section view of planned RC drill holes, MRDRC002 and 003, to target HP-MLTEM SAMSON conductive plate models A and B, Tyrrell's target area. Modelled conductive plates A and B on Lines 8B and 9B were interpreted to represent high conductance (4-6000 Siemens) bedrock features with at least 150m modelled depth extent down plunge.

The Company was granted Heritage clearance shortly after the anomalies were modelled along with a Program of Works. An RC and diamond drill rigs were also pre booked in preparation.

EM plates A and B represented compelling near surface bed rock conductors with high conductance strength in the order of 4,000 – 6,000 Siemens. Given that previous diamond drilling in mid-2015 by the Company intercepted favourable nickel-copper sulphide bearing ultramafics, the Company's technical and management team believed these EM anomalies represented high-priority targets.

The Company announced on 2 May 2017 that the remainder of the HP MLTEM program using the SAMSON receiver had been completed with a new area comprising of complex conductivity was identified (plate C) on lines 0B/1B, approximately 2kms to the south east of plates A and B on lines 8B/9B. This conductive anomaly area is coincident with a combined magnetic and gravity anomaly interpreted to represent a buried mafic-ultramafic intrusive complex (Figure 8).

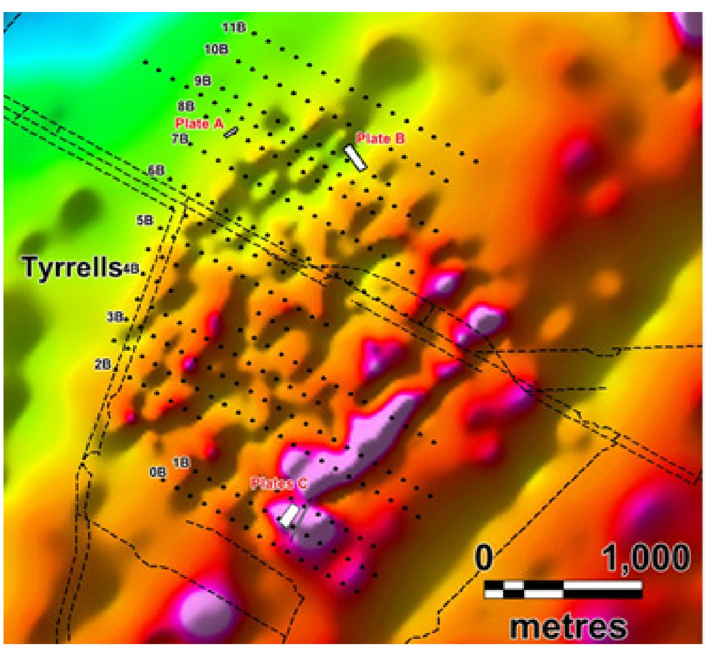


Figure 8. Plan map of gridded bouger anomaly residual gravity data and HP-MLTEM SAMSON receiver station locations, Tyrrell's target area.

Modelled conductive plates A and B on Lines 8B and 9B, and plates C on Lines 1A/1B were interpreted to represent high conductance bedrock features requiring immediate follow-up.

● SAMSON Receiver Station

Plate A SAMSON Model Conductive Plate.

MOUNTRIDLEYMINES

The modelled conductor is complex in geometry and response (Plates C – see Figure 9) and had a conductance of ~3000-6000S, strikes to the northeast and is steeply dipping to the northwest to sub-vertical, and is interpreted to lie at a depth exceeding 300m.

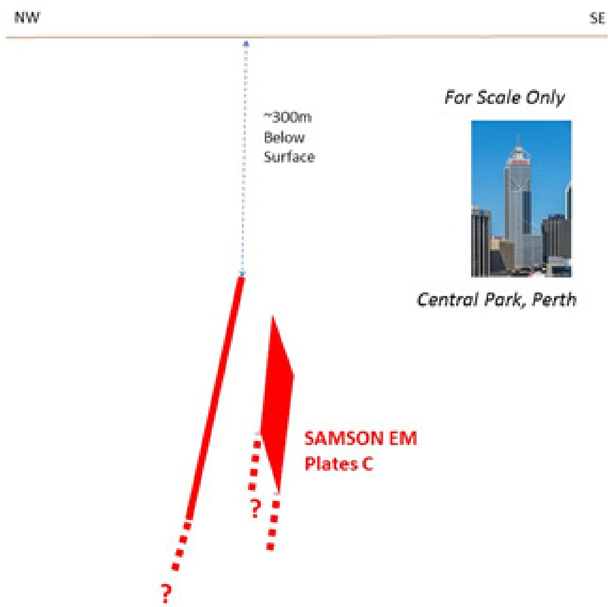
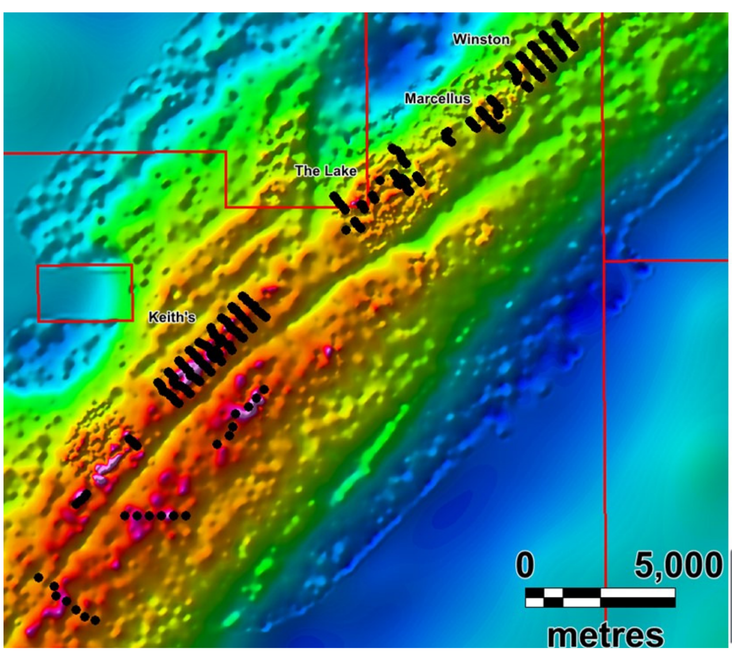


Figure 9. Section view of HP-MLTEM SAMSON conductive plate models C, Tyrrell's target area.
Modelled conductive plates C on Lines 1B/1A were interpreted to represent apparent high conductance (3-6000 Siemens) features with at least 150-300m modelled depth extent down plunge.

Air core Drilling

Air Core drilling was completed at The Lake, Keith's, Marcellus, Winston's and selected recon regional testing, 294 holes were drilled for 9,231m at an average of 37.07m per hole.

Four-meter interval composite samples downhole and a single meter end of hole samples were taken from each hole and sent for assay at ALS Global in Perth. Samples were analysed for 49 elements utilising ME-MS61 & Au-TL43 assaying methods.



Plan map of gridded bouger anomaly residual gravity data and Air Core holes drilled for Keith's, The Lake, Marcellus and Winston target areas, plus recon traverses across regional geophysical anomalies.

● Air Core drill hole

Unseasonably poor weather severely impacted drilling at The Lake target area, many planned holes in low lying areas could not be completed due to excess surface water and flooding of low-lying catchments and lake areas.

Targets	Holes drilled	Total meters
The Lake	59	2547
Keith's	123	2920
Winston	54	1646
Marcellus	28	1,108
Recon	30	1010
	294	**9,231**

Table 1: AC targets with the total number of hole and meters.

In addition to the completed surveys, two infill AC programs were planned, completed and announced on 20 June 2017. The results of these infill AC programs focussed on soil/bedrock geochemistry highlighted by their elevated Ni-Cu values associated with elevated sulphur from the recent 100m x 500m air core drilling. These anomalies were infilled at a density of 100m x 25m (Figure 11).

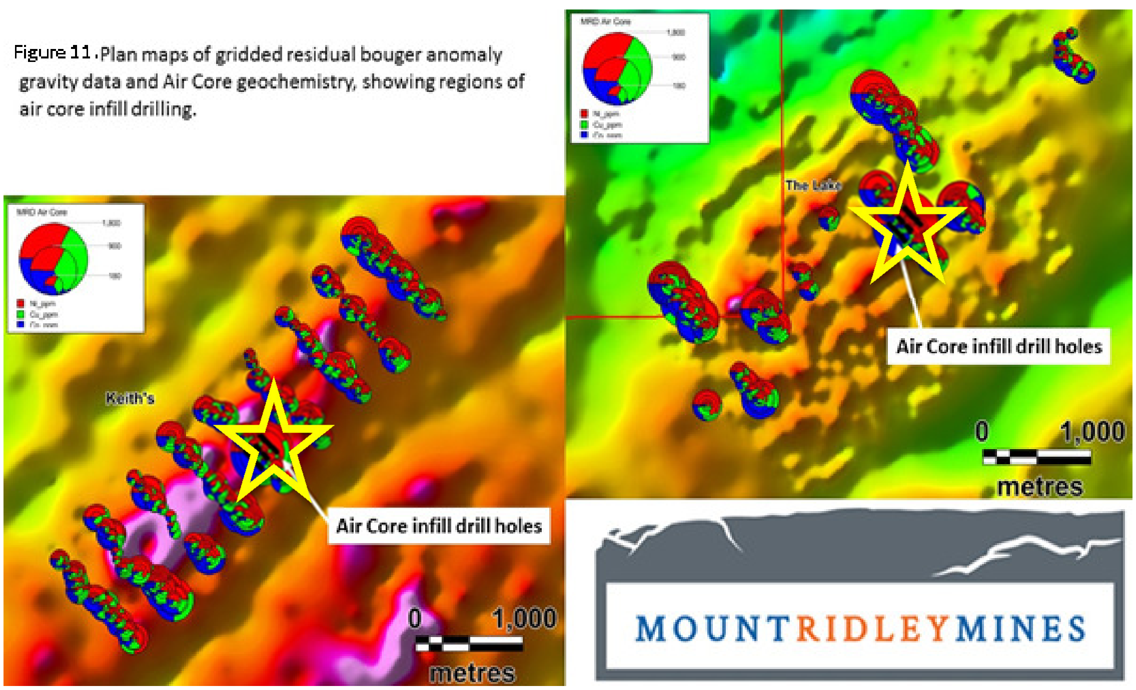


Figure 11. Plan maps of gridded residual bouger anomaly gravity data and Air Core geochemistry, showing regions of air core infill drilling.

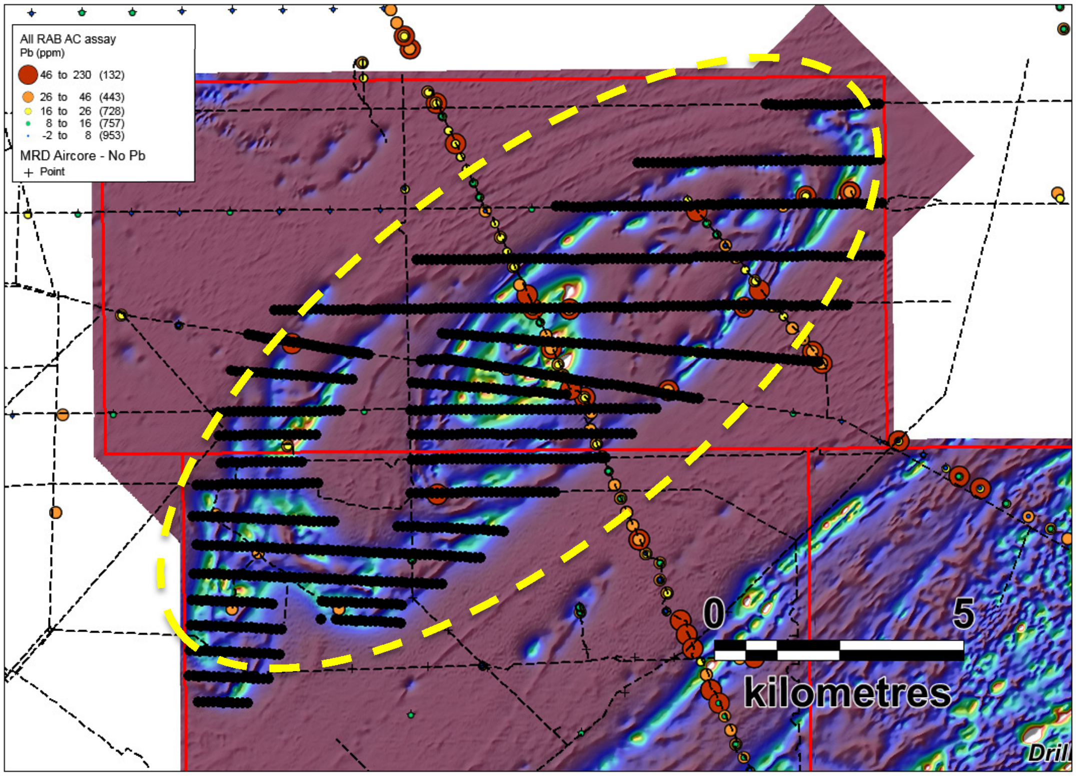
Auger geochemistry

An auger geochemistry sampling program comprising of 1,084 samples was recently completed at the end of March. This survey was in the north-western section of the Company's tenement package.

This programme was specifically designed to test for Broken Hill style lead and zinc mineralisation. It was this specific style that brought BHP to the area in the 90's, and with the assistance of CSA

Global a number of favourable geological settings have been targeted that have previously had no recorded exploration activity.

In parallel to the Broken Hill style exploration, samples are also being specifically tested for gold with a new in-field gold detecting technology trail collaborative program with CSRIO. The results of these surveys are still in the process of being modelled.



RC and Diamond (tail) Drilling

Reverse Circulation (RC) pre collars were completed announced on 9 May 2017. Plate A was drilled to 186m, Plate B to 270m and Plate C to 198m for a total of 654 RC meters.

Diamond drilling tails were drilled to 450.8m EOH at Plate A for 264.8m, Plate b was completed to 401.7m EOH for 131.7m and Plate C was drilled to 577m EOH for 379m of diamond. The total diamond drilling was 775.5m

Favourable geology in the form of pyroxene gabbros were encountered with varying amounts of shears, silicifiication with traces of sulphides. Plate A was completed at 450.8m, Plate B 401.7m and Plate C 577m.

All three holes were completed with down hole electromagnetics to test for the source of the surface SAMSON Moving Loop EM survey bedrock conductors.

Plate B has recorded a reduced size off hole conductor. Plate A also detected an off hole conductor, however the possible source is past the detection/modelling point. Plate C results unfortunately did not returned a conclusive source of the anomaly detected during the surface HPMLTEM survey program.

Plate A RC drilling			
Hole MRRC0002	From	To	Total No
Metres	0	186	**186**
Plate B RC drilling			
Hole MRRC0003	From	To	Total No
Metres	0	270	**270**
Plate C RC drilling			
Hole MRRC0004	From	To	Total No
Metres	0	198	**198**
Total RC meters			**654**

Plate A diamond tail drilling			
Hole MRRCD002	From	To	Total No
Metres	186	450.80	**264.8**
Plate B diamond tail drilling			
Hole MRRCD003	From	To	Total No
Metres	270	401.7	**131.7**
Plate C diamond tail drilling			
Hole MRRCD004	From	To	Total No
Metres	198	577.00	**379**
Combined diamond total meters			**775.5**

Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Tony Donaghy who is a Registered Professional Geoscientist (P.Geo) with the Association of Professional Geoscientists of Ontario (APGO), a Recognised Professional Organisation. Mr Donaghy is a technical advisor to the Company. Mr Donaghy has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Donaghy consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Subsequent events

On 3 July 2017, the Company completed a placement of 302,250,000 new fully paid ordinary shares at an issue price of $0.004 per share to raise $1,209,000 before associated costs. Of this amount, proceeds of $1,079,000 had been received prior to 30 June 2017.

On 20 September 2017, the Company issued 302,250,000 attaching options to the placement on 3 July 2017. The options had an exercise price of $0.0125 exercisable on or before 31 August 2019.

Future developments, prospects and business strategies

The Company has all intentions to continue with its exploration programmes on its package of highly prospective Mt Ridley tenements.

Environmental regulations

The Group's operations are not subject to significant environmental regulation under the Australian Commonwealth or State Law.

Remuneration report (audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Mount Ridley Mines Limited's key management personnel for the financial year ended 30 June 2017. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Group performance
- remuneration of key management personnel
- key terms of employment contracts.

Key management personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

Non-executive directors	Position
Mr Michael Pedley (appointed chairman 31 August 2016)	Non-executive chairman
Mr Guy Le Page	Non-executive director
Mr Keith Bowker (resigned 14 June 2017)	Non-executive director
Mr Robert Downey (resigned 31 August 2016)	Non-executive chairman

Executive directors	Position
Mr Ashley Hood (appointed 31 August 2016)	Managing Director
Mr Dean Goodwin (resigned 31 August 2016)	Managing Director

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration policy

Mount Ridley's remuneration policy, which is set out below, is designed to promote superior performance and long term commitment to the Group.

Non-executive director remuneration

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

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board may, from time to time, consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the Group.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company on whose Board he or she sits.

The remuneration of Non-Executive Directors for the year ended 30 June 2017 is detailed below.

Executive director remuneration
Based on the current stage in the Group's development, its size, structure and strategies, the Board considers that the key performance indicator in assessing the performance of executive directors ("executives") and their contribution towards increasing shareholder value is share price performance over the review period.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the Group and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to their performance, relevant comparative information and expert advice.

The Board's remuneration policy reflects its obligations to align executive remuneration with shareholder interests and to retain appropriately qualified executive talent for the benefit of the Group. The main principles are:

(a) remuneration reflects the competitive market in which the Group operates;
(b) individual remuneration should be linked to performance criteria if appropriate; and
(c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives consists of the following:

(a) salary – executives receive a fixed sum payable monthly in cash;
(b) cash at risk component – executives may participate in share and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the board considers it appropriate to issue shares and options to executives outside of approved schemes in exceptional circumstances; and
(c) other benefits – executives may, if deemed appropriate by the Board, be provided with a fully expenses mobile phone and other forms of remuneration.

The Board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by directors or other key management personnel during the financial year.

Relationship between the remuneration policy and Group performance

The board considers that at this time, evaluation of the Group's financial performance using generally accepted measures such as profitability, total shareholder return or per company comparison are not relevant as the Group is at an early stage in the implementation of a corporate strategy that includes the identification and acquisition of new business opportunities as outlined in the directors' report.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2017:

	30 June 2017 $	30 June 2016 $	30 June 2015 $	30 June 2014 $	30 June 2013 $
Revenue	35,003	18,503	22,597	213,152	651,156
Net loss before tax	(3,791,249)	(2,973,573)	(3,674,326)	(500,217)	(2,206,178)
Net loss after tax	(2,782,789)	(2,068,511)	(3,674,326)	(500,217)	(2,206,178)
Share price at start of year	0.02	0.013	0.004	0.007	0.028
Share price at end of year	0.005	0.02	0.013	0.004	0.007
Basic/diluted loss per share (cents per share)	0.238	0.24	0.61	0.30	1.30

Remuneration of key management personnel

2017	Short-term employee benefits		Post-employment benefits	Share-based payment		% of remuneration performance related
	Salary & fees $	Other $	Superannuation $	Options $	Total $	
Directors						
Michael Pedley[1]	41,433	-	-	23,219	**64,652**	-
Ashley Hood[2]	90,909	19,317	-	46,437	**156,663**	-
Guy Le Page[3]	30,000	-	-	23,219	**53,219**	-
Keith Bowker[4]	33,750	101,550	-	11,609	**146,909**	-
Robert Downey[5]	6,667	-	-	-	**6,667**	-
Dean Goodwin[6]	5,000	53,112	-	-	**58,112**	-
Total	**207,759**	**173,979**	**-**	**104,484**	**486,222**	**-**

[1] Mr Pedley was appointed as director on 5 November 2015 and assumed the position of non-executive chairman on 31 August 2016.

[2] Amount in 'Other' represents consulting & administration fees paid to Blue Ribbon Mines Pty Ltd.

[3] Amount in 'Other' represents placement fees associated with RM Corporate Finance Pty Ltd ("RM Corporate"). Mr Le Page is a director of RM Corporate.

[4] Appointed 5 November 2015. Amounts in 'Other' represent company secretarial and accounting fees as per an agreement with Somerville Advisory Group (Somerville). Mr Bowker is a director of Somerville. Mr Bowker resigned on 14 June 2017.

[5] Mr Downey resigned on 31 August 2016.

[6] Amount in 'Other' represents consulting and geological fees paid to Reliant Resources Pty Ltd ("Reliant"). Mr Goodwin is a director of Reliant. Mr Goodwin resigned on 31 August 2016.

2016	Short-term employee benefits		Post-employment benefits	Share-based payment		% of remuneration performance related
	Salary & fees $	Other $	Superannuation $	Options $	Total $	
Directors						
Robert Downey[1]	40,000	4,440	-	-	44,440	-
Dean Goodwin[2]	30,000	309,260	-	-	339,260	-
Guy Le Page[3]	32,500	44,400	-	-	76,900	-
Keith Bowker[4]	20,000	80,680	-	-	100,680	-
Michael Pedley[5]	20,000	-	-	-	20,000	-
Paul Fromson[6]	10,000	99,000	-	-	109,000	-
Total	**152,500**	**537,780**	**-**	**-**	**690,280**	**-**

[1] Amount in 'Other' represents legal fees paid to TDC Legal Pty Ltd ("TDC"). Mr Downey was a Principal of TDC. Mr Downey resigned on 31 August 2016.

[2] Amount in 'Other' represents consulting and geological fees paid to Reliant Resources Pty Ltd ("Reliant"). Mr Goodwin is a director of Reliant. Mr Goodwin resigned on 31 August 2016.

[3] Amount in 'Other' represents placement fees associated with RM Corporate Finance Pty Ltd ("RM Corporate"). Mr Le Page is a director of RM Corporate.

[4] Amount in 'Other' represents company secretarial and accounting fees paid to Somerville Advisory Group ("Somerville"). Mr Bowker is a director of Somerville. Mr Bowker was appointed as a director on 5 November 2015.

[5] Mr Pedley was appointed as director on 5 November 2015 and assumed the position of non-executive chairman on 31 August 2016.

[6] Amount in 'Other' represents consulting and administration fees paid to MBE Finance Pty Ltd ("MBE Finance"). Mr Fromson is a director of MBE Finance. Mr Fromson resigned on 5 November 2015.

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses
No bonuses were paid to key management personnel during the financial year (2016: nil).

Incentive share-based payments arrangements
During the financial year, the following share-based payment arrangements were in existence:

Option series	Grant date	Expiry date	Exercise price	Grant date fair value	Vesting date
MRDAK*	29 Nov 2016	29 Nov 2019	$0.015	$0.009	Vested

* Unlisted director options issued to Messrs Pedley, Hood, Le Page and Bowker as approved by shareholders at the Annual General Meeting held on 28 November 2016.

There are no further services or performance criteria that need to be met in relation to options granted under series MRDAK above and as a consequence, the beneficial interest has vested to the recipients. There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Details of share-based payments granted to key management personnel during the current financial year:

		During the financial year			
Name	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited
Michael Pedley	MRDAK	5,000,000	5,000,000	100%	n/a
Ashley Hood	MRDAK	10,000,000	10,000,000	100%	n/a
Guy Le Page	MRDAK	5,000,000	5,000,000	100%	n/a
Keith Bowker	MRDAK	2,500,000	2,500,000	100%	n/a

No share options were exercised by key management personnel during the year (2016: 1,282,584 by Mr Pedley).

Each option converts into one ordinary share of Mount Ridley Mines Limited.

Key terms of employment contracts

The key terms and conditions of the employment of Mr. Ashley Hood (Managing Director) are as follows:

- Term of employment: indefinite duration (subject to continuous review by the Board).
- A salary of $120,000 (exc. GST) per annum.
- The Company may (but is not bound) pay additional performance based remuneration.
- The employment may be terminated by either party giving 3 months' notice. The Company may terminate Mr. Hood's employment within a lesser period of notice on payment in lieu of notice not given.

Key management personnel equity holdings

Fully paid ordinary shares of Mount Ridley Mines Limited

2017	Balance at 1 July 2016 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2017 No.
M Pedley	9,277,751	-	-	-	9,277,751
A Hood[1]	-	-	-	7,701,893	7,701,893
G Le Page	31,846,729	-	-	(17,159,229)	14,687,500
K Bowker[4]	1,323,750	-	-	(1,323,750)	-
R Downey[2]	10,000,000	-	-	(10,000,000)	-
D Goodwin[3]	54,000,000	-	-	(54,000,000)	-

[1] Appointed 31 August 2016

[2] Resigned 31 August 2016 Amount in 'Net other change' represents balance held on resignation.

[3] Resigned 31 August 2016 Amount in 'Net other change' represents balance held on resignation.

[4] Resigned 14 June 2017 Amount in 'Net other change' represents balance held on resignation.

2016	Balance at 1 July 2015 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2016 No.
R Downey[1]	10,000,000	-	-	-	10,000,000
D Goodwin[1]	54,000,000	-	-	-	54,000,000
G Le Page	31,846,729	-	-	-	31,846,729
K Bowker[2]	-	-	-	1,323,750	1,323,750
M Pedley[3]	-	-	1,282,584	7,995,167	9,277,751
Paul Fromson[4]	25,000,000	-	-	(25,000,000)	-

[1] Resigned 31 August 2016.

[2] Appointed 5 November 2015. Amount in 'Net other change' represents balance held on appointment.

[3] Appointed 5 November 2015. Amount in 'Net other change' consists of 6,895,167 held on appointment and 1,100,000 on market acquisition.

[4] Resigned 5 November 2015. Amount in 'Net other change' represents balance held on resignation.

Key management personnel equity holdings (cont'd)

Share options of Mount Ridley Mines Limited

2017	Balance at 1 July 2016	Granted as compensation	Exercised	Net other change	Balance vested and exercisable at 30 June 2017
	No.	No.	No.	No.	No.
M Pedley	5,000,000	5,000,000	-	-	10,000,000
A Hood[1]	-	10,000,000	-	-	10,000,000
G Le Page[5]	11,402,917	5,000,000	-	(16,402,917)	-
K Bowker[4]	5,000,000	2,500,000	-	(7,500,000)	-
R Downey[2]	20,000,000	-	-	(20,000,000)	-
D Goodwin[3]	60,000,000	-	-	(60,000,000)	-

[1] Appointed 31 August 2016

[2] Resigned 31 August 2016 Amount in 'Net other change' represents balance held on resignation.

[3] Resigned 31 August 2016 Amount in 'Net other change' represents balance held on resignation.

[4] Resigned 14 June 2017 Amount in 'Net other change' represents balance held on resignation.

[5] Net change other represents balance disposed of.

2016	Balance at 1 July 2015	Granted as compensation	Exercised	Net other change	Balance vested and exercisable at 30 June 2016
	No.	No.	No.	No.	No.
R Downey[1]	20,000,000	-	-	-	20,000,000
D Goodwin[1]	60,000,000	-	-	-	60,000,000
G Le Page	11,402,917	-	-	-	11,402,917
K Bowker[2]	5,000,000	-	-	-	5,000,000
M Pedley[3]	-	-	-	5,000,000	5,000,000
P Fromson[4]	35,000,000	-	-	(35,000,000)	-

[1] Resigned 31 August 2016.

[2] Appointed 5 November 2015.

[3] Appointed 5 November 2015. Amount in 'Net other change' consists of 6,250,000 held on appointment and 1,250,000 exercised.

[4] Resigned 5 November 2015. Amount in 'Net other change' represents balance held at resignation.

This is the end of the audited remuneration report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

Mr Ashley Hood
Managing Director
Perth, 29 September 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Mount Ridley Mines Limited for the year ended 30 June 2017, 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	**L Di Giallonardo**
29 September 2017	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Mount Ridley Mines Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mount Ridley Mines Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

Without qualifying our conclusion, we draw attention to Note 3.4 in the financial report which indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report**.**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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HLB Mann Judd

Key Audit Matter	**How our audit addressed the key audit matter**
Carrying amount of exploration and evaluation expenditure Note 11 of the financial report	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises the costs of acquiring rights to explore areas of interest. All other exploration and evaluation expenditure is immediately expensed. Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure might no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: ▪ We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; ▪ We considered the Directors' assessment of potential indicators of impairment; ▪ We obtained evidence that the Group has current rights to tenure of its areas of interest; ▪ We examined the exploration budget as part of our assessment of the cash flow forecast, and discussed with management the nature of planned ongoing activities; ▪ We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; and ▪ We examined the disclosures made in the financial report.
Share based payment expense Note 16 of the financial report	
The Group has recorded a material share based payment expense for the year ended 30 June 2017. This expense has arisen from the granting during the year of options to corporate advisors (applied against equity) and directors (expensed in the statement of profit or loss and other comprehensive income). The valuation of these options is subject to complex estimation techniques and significant judgement. A small change in assumptions can have a material impact on the financial report.	Our procedures included but were not limited to the following: ▪ We assessed the reasonableness of the assumptions used in the valuation of the share based payments as well as testing the accuracy of the calculations themselves; and ▪ We checked the terms of the share based payments to documentation outlining those terms to ensure that the valuations were based on those terms.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Group 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Mount Ridley Mines Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

Giallonardo.

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
29 September 2017

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes comply with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements and give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and

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

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors

Mr Ashley Hood
Managing Director
Perth, 29 September 2017

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

	Note	Consolidated Year ended 30 June 2017 $	Consolidated Year ended 30 June 2016 $
Revenue from continuing operations	6	35,003	18,503
Consulting expenses	7	(157,208)	(284,074)
Depreciation	7	(10,686)	(13,354)
Exploration expenses	7	(3,083,103)	(2,349,329)
Compliance and regulatory expenses	7	(126,210)	(98,507)
Directors' fees	7	(197,409)	(152,500)
Administration expenses	7	(251,636)	(94,312)
Loss before income tax		**(3,791,249)**	**(2,973,573)**
Income tax benefit	7	1,008,460	905,062
Loss for the year		**(2,782,789)**	**(2,068,511)**
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the year		**(2,782,789)**	**(2,068,511)**
Loss per share:			
Basic and diluted (cents per share)	9	(0.238)	(0.243)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position as at 30 June 2017

	Note	Consolidated 30 June 2017 $	Consolidated 30 June 2016 $
Current assets			
Cash and cash equivalents	20	2,644,976	942,671
Trade and other receivables	10	159,555	177,885
Total current assets		**2,804,531**	**1,120,556**
Non-current assets			
Financial assets		-	15,708
Exploration and evaluation expenditure	11	786,804	786,804
Property, plant and equipment	12	71,767	72,815
Total non-current assets		**858,571**	**875,327**
Total assets		**3,663,102**	**1,995,883**
Current liabilities			
Trade and other payables	13	840,620	165,690
Unissued shares	14	1,079,000	15,000
Total current liabilities		**1,919,620**	**180,690**
Total liabilities		**1,919,620**	**180,690**
Net assets		**1,743,482**	**1,815,193**
Equity			
Issued capital	15	23,140,753	21,017,352
Reserves	16	1,493,456	905,779
Accumulated losses		(22,890,727)	(20,107,938)
Total equity		**1,743,482**	**1,815,193**

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity for the year ended 30 June 2017

	Consolidated			
	Issued capital $	Option reserve $	Accumulated losses $	Total $
Balance at 1 July 2015	**19,201,817**	**905,779**	**(18,039,427)**	**2,068,169**
Loss for the year	-	-	(2,068,511)	(2,068,511)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(2,068,511)**	**(2,068,511)**
Issue of ordinary shares	1,946,696	-	-	1,946,696
Share issue costs	(131,161)	-	-	(131,161)
Balance at 30 June 2016	**21,017,352**	**905,779**	**(20,107,938)**	**1,815,193**
Balance at 1 July 2016	**21,017,352**	**905,779**	**(20,107,938)**	**1,815,193**
Loss for the year	-	-	(2,782,789)	(2,782,789)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(2,782,789)**	**(2,782,789)**
Issue of ordinary shares	2,770,738	-	-	2,770,738
Share issue costs	(647,337)	-	-	(647,337)
Share based payments	-	587,677	-	587,677
Balance at 30 June 2017	**23,140,753**	**1,493,456**	**(22,890,727)**	**1,743,482**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 30 June 2017

	Note	Consolidated Year ended 30 June 2017 $	Consolidated Year ended 30 June 2016 $
Cash flows from operating activities			
Payments to suppliers and employees		(669,121)	(845,146)
Payments for exploration and evaluation		(2,348,701)	(2,312,226)
Research and development refund received		1,024,168	905,062
Interest received		28,003	16,230
Net cash (used in) operating activities	20.1	(1,965,651)	(2,236,080)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	7,500
Payment for property, plant and equipment		(9,638)	(18,145)
Proceeds from sale of investments		7,000	-
Tenement acquisition costs		-	(10,737)
Net cash (used in) investing activities		(2,638)	(21,382)
Cash flows from financing activities			
Proceeds from equity instruments of the Company		2,755,738	1,946,696
Proceeds from equity instruments yet to be issued		1,079,000	15,000
Payment for share issue costs		(164,144)	(131,161)
Net cash provided by financing activities		3,670,594	1,830,535
Net increase/(decrease) in cash and cash equivalents		**1,702,305**	**(426,927)**
Cash and cash equivalents at the beginning of the year		942,671	1,369,598
Cash and cash equivalents at the end of the year	20	**2,644,976**	**942,671**

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements for the year ended 30 June 2017

1. General information

Mount Ridley Mines Limited ("the Company") is a listed public company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the corporate directory to the annual report.

The principal activities of the Company and its controlled entity ("the Group") are described in the directors' report.

2. Application of new and revised Accounting Standards

2.1 Standards and interpretations applicable to 30 June 2017

In the current year, the Group has applied one amendment to AASBs issued by the Australian Accounting Standards Board (AASB) that is mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore is relevant for the current year end.

AASB 2015-4 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The application of this amendment does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements. In the Directors' opinion, there is no material impact of any other new or revised Standards or Interpretation that are relevant to the current annual reporting period and, therefore, no material change is necessary to Group accounting policies.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below:

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

The directors believe that these new Standards and Interpretations will not have a material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements, nor will there be any changes necessary to Group accounting policies.

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 29 September 2017.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holdings of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4 *Going concern*

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

For the year ended 30 June 2017, the Group incurred a loss after tax of $2,782,789 (2016: $2,068,511) and a net cash outflow from operations of $1,965,651 (2016: $2,236,080). At 30 June 2017, the Group had net assets of $1,743,482 (2016: net assets of $1,815,193). As at 30 June 2017, the Company has a cash balance of $2,644,976. Subsequent to the financial year ended 30 June 2017, the Company raised $1,209,000 (before costs) via the issue of 302,250,000 fully paid ordinary shares at $0.004 each to sophisticated investors. Of this amount $1,079,000 had been received prior to 30 June 2017. The Group's ability to continue as a going concern and pay its debts as and when they fall due, given the Group's intended operational plans, assumes active management of the current level of discretionary expenditure in line with the funds available to the Group.

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will continue to be successful in securing additional funds through the debt and/or equity issues as and when the need to raise working capital arises.

Should the group not be successful in raising the required capital, there exists a material uncertainty that may cast significant doubt on the ability of the group to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

3.5 *Comparatives*

The accounting policies used in the preparation of these financial statements are consistent with those used in previous years. Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

3.6 *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Interest income</u>

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts though the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.7 Employee benefits

Short-term and long-term employee benefits

A liability is recognised for benefits accrued to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.8.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.8.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.8.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.9 Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in profit and loss as incurred.

Depreciation is calculated on diminishing value basis using the following depreciation rates:

Software	40.0%
Equipment	33.3%
Furniture & Fittings	10.0%
Exploration assets	33.3%
Motor Vehicles	20.0%

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 item) is included in the income statement in the period the item is derecognised.

3.10 Exploration and evaluation expenditure

In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the costs of acquiring rights to explore areas of interest are capitalised. All other exploration expenditure is expensed to the consolidated statement of profit or loss and other comprehensive income. The costs of acquisition are carried forward where the rights of tenure are current and:

(i) such costs are expected to be recouped through successful development and exploration of the area of interest, or alternatively by its sale; or

(ii) exploration activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources.

Exploration and evaluation assets are assessed annually for impairment in accordance with AASB 6 and where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units. An impairment loss is recognised in the statement of profit or loss and other comprehensive income where the carrying values of exploration and evaluation assets exceed their recoverable amounts.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

3.11 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12 Recoverable amount and impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment and exploration and evaluation expenditure 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 assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss 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 profit or loss unless the asset is carried at the 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.

3.13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the statement of financial position.

3.14 Trade and other receivables

Trade and other receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debts.

3.15 Trade and other payables

Trade payables and other payables are carried at amortised cost. They 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. The amounts are unsecured and usually paid within 30 days of recognition.

3.16 Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of profit or loss and other comprehensive income.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

3.17 Share based payment transactions

The Group may provide benefits to employees (including directors) in the form of share-based payment transactions, 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 at the date at which they are granted. The fair value is determined by using a Black Scholes model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Mount Ridley Mines Limited (market conditions) if applicable.

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

At each subsequent reporting date until vesting, the cumulative charge to the statement of profit or loss and other comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being meet; and (iii) the expired portion of the vesting period.

The charge to the statement of profit or loss and other comprehensive income for the year is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

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. An additional 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 loss per share.

3.18 Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

3.19 Loss per share

Basic loss per share is calculated as net 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 loss per share is calculated as net loss attributable to members of the parent adjusted for:

- cost 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-discriminatory changes in revenues or expenses during the year 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.

3.20 GST

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

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

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

Cash flows are included in the Consolidated 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 amounts of GST recoverable from, or payable to, the taxation authority.

3.21 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

<u>Financial assets at FVTPL</u>

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial asset that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group of entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts 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 these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period on which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

Impairment of exploration and evaluation expenditure

Exploration and evaluation expenditure is reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

The directors are required to exercise judgement on future events and the likelihood of defining an economic reserve. Assumptions made are altered as exploration and evaluation continues and more information becomes available. Where it is evident that the value of exploration and evaluation expenditure cannot be recovered, the capitalised amount will be impaired through the statement of profit or loss and other comprehensive income.

5. Segment information

The Company operates in the mineral exploration industry. AASB 8 'Operating Segments' states that similar operating segments can be aggregated to form one reportable segment. Also, based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely the mineral exploration industry. However, none of the other operating segments currently meet any of the prescribed quantitative thresholds and as such do not have to be reported separately. The Group has therefore decided to aggregate all its reporting segments into one reportable operating segment.

The revenue and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit or loss and other comprehensive income. The segment assets and liabilities are those of the Group and set out in the consolidated statement of financial position.

6. Other income

	2017 $	2016 $
Interest income	28,003	16,230
Other income	7,000	2,273
	35,003	18,503

7. Loss for the year

Loss for the year has been arrived at after charging the following items of expenses:	2017 $	2016 $
Administration costs:		
Annual report expenses	7,055	8,936
Corporate advisory fees	40,000	20,000
Insurance	23,254	10,442
Legal fees	21,145	3,639
Rent & outgoing	25,178	31,547
Share based payment expense	104,484	-
Travel	21,411	1,590
Other	9,109	18,158
Total administration costs	251,636	94,312
Consultants costs	157,208	284,074
Depreciation	10,686	13,354
Directors fees	197,409	152,500
Compliance costs:		
ASX expenses	57,713	38,637
Share registry expenses	31,256	21,597
Audit expenses	35,500	36,000
ASIC expenses	1,741	2,273
Total compliance costs	126,210	98,507
Exploration expenses	3,083,103	2,349,329

8. Income taxes relating to continuing operations

8.1 Income tax recognised in profit or loss

	2017 $	2016 $
Current tax	(1,008,460)	(905,062)
Deferred tax	-	-
	(1,008,460)	(905,062)

The income tax expense for the year can be reconciled to the accounting loss as follows:

	2017 $	2016 $
Loss before tax from continuing operations	(3,791,249)	(2,973,573)
Income tax benefit calculated at 27.5% (2016: 30%)	(1,042,593)	(892,072)
Effect of expenses that are not deductible in determining taxable loss	686,793	658,622
Effect of deductible capitalised expenditure	(645,893)	(696,889)
Effect of unused tax losses not recognised as deferred tax assets	1,001,693	930,339
Effect of tax concessions(research and development rebate)	(1,008,460)	(905,062)
Income tax benefit recognised in the statement of comprehensive income	(1,008,460)	(905,062)

8.2 Unrecognised deferred tax assets

	2017 $	2016 $
Unused tax losses (revenue) for which no deferred tax assets have been recognised	16,655,039	13,012,517

This benefit from tax losses totalling $4,580,136 (2016: $3,903,755) will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the Company complies with the conditions for deductibility imposed by tax legislation.

9. Loss per share

	2017 cents per share	2016 cents per share
Basic and diluted loss per share	(0.238)	(0.243)

9.1 Basic and diluted loss per share

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

	2017 $	2016 $
Loss for the year attributable to owners of the Company	(2,782,789)	(2,068,511)

	2016 No.	2015 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,166,905,811	851,786,679

10. Trade and other receivables

	2017 $	2016 $
Prepayments	3,612	104,956
Other receivables	155,943	72,929
	159,555	177,885

At the reporting date, none of the receivables were past due/impaired.

11. Exploration and evaluation expenditure

	2017	2016
Exploration and evaluation phase:	$	$
Balance at the beginning of the year	786,804	781,648
Capitalised expenditure during the year	-	5,156
Balance at the end of the year	786,804	786,804

Recoverability of the above carrying amount is dependent upon the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

12. Property, plant and equipment

	2017	2016
Carrying amounts of	$	$
Software	2,662	4,437
Equipment and motor vehicles	31,239	26,121
Furniture and fittings	1,829	1,992
Exploration equipment	36,037	40,265
	71,767	72,815

30 June 2017	**Software**	**Equipment & Motor Vehicles**	**Furniture & Fittings**	**Exploration equipment**	**Total**
	$	**$**	**$**	**$**	**$**
Cost or deemed cost					
Balance at 1 July 2016	7,708	31,321	2,265	46,674	87,968
Additions	-	9,638	-	-	9,638
Balance at 30 June 2017	**7,708**	**40,959**	**2,265**	**46,674**	**97,606**
Depreciation					
Balance at 1 July 2016	3,271	5,200	273	6,409	15,153
Depreciation for the year	1,775	4,520	163	4,228	10,686
Balance at 30 June 2017	**5,046**	**9,720**	**436**	**10,637**	**25,839**
Carrying amounts					
at 1 July 2016	**4,437**	**26,121**	**1,992**	**40,265**	**72,815**
at 30 June 2017	**2,662**	**31,239**	**1,829**	**36,037**	**71,767**

30 June 2016	**Software**	**Equipment & Motor Vehicles**	**Furniture & Fittings**	**Exploration equipment**	**Total**
	$	**$**	**$**	**$**	**$**

Cost or deemed cost					
Balance at 1 July 2015	7,708	14,646	2,265	54,704	79,323
Additions	-	16,675	-	1,470	18,145
Disposals	-	-	-	(9,500)	(9,500)
Balance at 30 June 2016	**7,708**	**31,321**	**2,265**	**46,674**	**87,968**
Depreciation					
Balance at 1 July 2015	313	687	93	1,551	2,644
Depreciation for the year	2,958	4,513	180	5,703	13,354
Disposals/write offs	-	-	-	(845)	(845)
Balance at 30 June 2016	**3,271**	**5,200**	**273**	**6,409**	**15,153**
Carrying amounts					
at 1 July 2015	**7,395**	**13,959**	**2,172**	**53,153**	**76,679**
at 30 June 2016	**4,437**	**26,121**	**1,992**	**40,265**	**72,815**

13. Trade and other payables

	2017 $	2016 $
Trade creditors	784,869	108,010
Other creditors and accruals	55,751	57,680
	840,620	165,690

14. Unissued shares

	2017 $	2016 $
Proceeds received from placement	1,079,000	15,000

As disclosed in Note 25, the Company completed a placement of 302,250,000 fully paid ordinary shares on 3 July 2017 to raise $1,209,000 before associated costs. Of this amount proceeds of $1,079,000 had been received prior to 30 June 2017 and have been included above. Subsequent to balance date, this amount will be transferred to issued capital.

15. Issued capital

	30 Jun 2017 **$**	**30 Jun 2016** **$**
1,219,183,243 fully paid ordinary shares (30 June 2016: 965,233,430)	**23,140,753**	**21,017,352**

Fully paid ordinary shares	Year ended 30 Jun 2017		Year ended 30 Jun 2016	
	No.	$	No.	$
Balance at beginning of period	965,233,430	21,017,352	797,174,646	19,201,817
Issue of shares (i)	714,286	15,000	-	-
Issue of shares (ii)	92,472,496	1,941,923	-	-
Placement (iii)	158,763,031	793,815	-	-
Issue of shares (iv)	2,000,000	20,000	-	-
Placement (v)	-	-	28,000,000	532,000
Placement (vi)	-	-	138,776,200	1,387,762
Issue of shares (vii)	-	-	1,282,584	26,934
Share issue costs	-	(647,337)	-	(131,161)
	1,219,183,243	**23,140,753**	**965,233,430**	**21,017,352**

(i) Issue of fully paid ordinary shares on 1 July 2016 following conversion of 714,286 unlisted options at $0.021 each expiring 30 June 2016.
(ii) Issue of fully paid ordinary shares on 14 July 2016 pursuant to an underwriting agreement with Barclay Wells Limited for the underwriting of 92,472,496 unlisted options at $0.021 each expiring 30 June 2016.
(iii) Issue of fully paid ordinary shares on 18 October 2016 at $0.005 each pursuant to a placement to sophisticated and institutional investors of the Company.
(iv) Issue of fully paid ordinary shares on 7 December 2016 at a deemed issue price of $0.01 each to a creditor of the Company pursuant to a service agreement.
(v) Issue of fully paid ordinary shares on 20 July 2015 at $0.019 each pursuant to a placement to sophisticated and institutional investors of the Company.
(vi) Issue of fully paid ordinary shares on 18 April 2016 at $0.01 each pursuant to a placement to sophisticated and institutional investors of the Company.
(vii) Issue of fully paid ordinary shares on 29 June 2016 following conversion of 1,282,584 unlisted options at $0.021 each expiring 30 June 2016.

16. Option Reserve

16.1 Nature and purpose of Option Reserve

This reserve is used to record the value of equity benefits provided to employees (including directors) and suppliers, for services rendered.

16.2 Details of options issued during the current year.

During the current year the following options were issued:

	Number	Grant date	Expiry Date	Exercise price	Fair value at grant date	Vesting date
Placement Options	20,000,000	12/07/2016	30/06/2017	$0.025	$179,443	Immediate
Underwriter Options	104,469,366	29/11/2016	30/06/2019	$0.030	$303,750	Immediate
Director Options	22,500,000	29/11/2016	29/11/2019	$0.015	$104,484	Immediate

The fair value of these options granted was estimated at grant date using the Black-Scholes model taking to account the following terms and assumptions

	Placement options	Underwriter options	Director options
Number of options	20,000,000	104,469,366	22,500,000
Grant date	12/07/2016	29/11/2016	29/11/2016
Expiry date	30/06/2017	30/06/2019	29/11/2019
Risk-free interest rate	1.95%	1.95%	1.95%
Expected volatility	109%	99%	99%
Grant date share price	$0.023	$0.009	$0.009
Exercise price	$0.025	$0.030	$0.015

Unlisted options	Year ended 30 Jun 2017		Year ended 30 Jun 2016	
	No.	$	No.	$
Balance at beginning of period	302,701,982	905,779	398,957,062	905,779
Issue of options (i)	69,388,100	-	-	-
Issue of options (ii)	20,000,000	179,443	-	-
Issue of options (iii)	104,469,366	303,750	-	-
Issue of director options (iv)	22,500,000	104,484	-	-
Issue of options (v)	79,381,515	-	-	-
Expiry of options (vi)	(7,500,000)	-	-	-
Expiry of options (vii)	(5,201,982)	-	-	-
Expiry of options (viii)	(89,388,100)	-	-	-
Issue of options (ix)	-	-	14,000,000	-
Exercise of options (x)	-	-	(1,282,584)	-
Exercise of options (xi)	-	-	(714,286)	-
Expiry of options (xii)	-	-	(15,785,714))	-
Exercise of options (xiii)	-	-	(92,472,496)	-
	496,350,881	**1,493,456**	**302,701,982**	**905,779**

(i) Issue of free attaching unlisted options exercisable at $0.025 expiring 30 June 2017 pursuant to a placement in April 2016. Issued on 12 July 2016, and vested immediately.
(ii) Issue of unlisted options exercisable at $0.025 expiring 30 June 2017 as part of the placement fee for the placement in April 2016. Issued on 12 July 2016, and vested immediately.
(iii) Issue of unlisted options exercisable at $0.03 expiring 30 June 2019 pursuant to the underwriting agreement with Barclay Wells Limited. Issued on 29 November 2016, and vested immediately.
(iv) Issue of unlisted options exercisable at $0.015 expiring 29 November 2019 to directors of the Company. 10,000,000 options to Mr Hood, 5,000,000 options each to Messrs Pedley and Le Page and 2,500,000 options to Mr Bowker. Issued on 29 November 2016, and vested immediately.
(v) Issue of free attaching unlisted options exercisable at $0.0125 expiring 31 August 2019 pursuant to a placement in October 2016. Issued on 29 November 2016, and vested immediately.
(vi) Expiry of 31 December 2016 options exercisable at $0.015.
(vii) Expiry of 31 December 2016 options exercisable at $0.021.
(viii) Expiry of 30 June 2017 options exercisable at $0.025.
(ix) Issue of free attaching unlisted options exercisable at $0.07 expiring 30 June 2016 pursuant to a placement in July 2015. Issued on 15 July 2015.
(x) Exercise of options at $0.021 on 29 June 2016.
(xi) Exercise of options at $0.021 on 30 June 2016. Fully paid ordinary shares pertaining to the exercise of these options were issued subsequent to 30 June 2016.
(xii) Expiry of 30 June 2016 options exercisable at $0.07.
(xiii) Options exercised subsequent to 30 June 2016 pursuant to an underwriting agreement. The options were exercisable at $0.021.

17. Financial instruments

17.1 Capital management

The Group manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital management requires the maintenance of a strong cash balance to support ongoing exploration.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements. There were no changes in the Company's approach to capital management during the year.

17.2 *Categories of financial instruments*

	2017	2016
Financial assets	$	$
Cash and cash equivalents	2,644,976	942,671
Trade and other receivables (non-interest bearing)	159,555	72,929
Other assets	-	15,708
	2,804,531	1,031,308
Financial liabilities		
Trade and other payables (non-interest bearing)	840,620	165,690
	840,620	165,690
Net financial liabilities	**1,963,911**	**865,618**

The fair value of the above financial instruments approximates their carrying values.

17.3 *Financial risk management objectives*

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrussment risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The Board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

17.4 *Market risk*

Market risk for the Group arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (see 17.5 below).

17.5 *Interest rate risk management*

Interest rate risk arises on cash and cash equivalents and receivables from related parties. The Group does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Group, no policies are in place to formally mitigate this risk.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end on the reporting period.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2017 would decrease/increase by $26,450 (2016: $2,104).

17. Financial instruments (cont'd)

17.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

17.7 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Contractual cash flows

	Carrying Amount	Less than 1 month	1-3 months	3-12 months	1 year to 5 years	Total contractual cash flows
	$	$	$	$	$	$
2017						
Trade and other payables	840,620	-	834,721	5,899	-	840,620
2016						
Trade and other payables	165,690	-	160,740	4,950	-	165,690

18. Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2017	2016
	$	$
Short-term employee benefits	381,738	690,280
Post-employment benefits	-	-
Share-based payment	104,484	-
	486,222	690,280

Short-term employee benefits

These amounts include fees paid to non-executive directors who resigned during the year as well as unpaid fees. It also includes fees paid to entities controlled by the directors. The compensation of each member of the key management personnel of the Group is set out in the remuneration report on page 22.

19. Related party transactions

19.1 Entities under the control of the Group

The Group consists of the parent entity, Mount Ridley Mines Limited and its wholly-owned subsidiary Greencode Pty Ltd. Refer to Note 26.

Balances and transactions between the Company and its subsidiary, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

19.2 Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to the remuneration report contained in the directors' report and note 18.

19.3 Other related party transactions

Mr Bowker's company secretarial services are provided by Somerville Advisory Group (Somerville). Mr Bowker is a founding director of Somerville. Company secretarial fees paid to Somerville are disclosed in the remuneration report.

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

20. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2017 $	2016 $
Cash and bank balances	2,644,976	942,671

20.1 Reconciliation of loss for the year to net cash flows from operating activities

	2017 $	2016 $
Cash flow from operating activities		
Loss for the year	(2,782,789)	(2,068,511)
Adjustments for:		
Depreciation	10,686	13,354
Loss on disposal of plant and equipment	-	1,155
Share based payment	104,484	-
Movements in working capital		
Decrease in trade and other receivables	34,038	(41,335)
Increase in trade and other payables	667,930	(140,743)
Net cash flow from operating activities	(1,965,651)	(2,236,080)

21. Contingent liabilities

There are no contingent liabilities.

22. Commitments for expenditure

22.1 Exploration expenditure on granted tenements

	2017 $	2016 $
Not longer than 1 year	530,068	339,993
Longer than 1 year and not longer than 5 years	2,444,428	2,350,745
	2,974,496	2,690,738

In order to retain the rights of tenure to its granted tenements, the Company is required to meet the minimum statutory expenditure requirements but may reduce these at any time by reducing the size of the tenements. The figures quoted above assume that no new tenements are granted and that only compulsory statutory area reductions are made.

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

23. Share Based Payments

The following share based payments were made during the year (2016: nil).

	2017 number	2016 number
Issued to director A Hood (or nominee) as incentive options	10,000,000	-
Issued to director G Le Page (or nominee) as incentive options	5,000,000	-
Issued to director M Pedley(or nominee) as incentive options	5,000,000	-
Issued to director K Bowker (or nominee) as incentive options	2,500,000	-

All payments to directors or their related entities for both shares and options were approved by shareholders.

24. Remuneration of auditors

Auditor of the Group

	2017 $	2016 $
Audit and review of financial reports	33,500	33,000

The auditor of the Group is HLB Mann Judd.

25. Events after the reporting period

On 3 July 2017, the company completed a placement of 302,250,000 new fully paid ordinary shares at an issue price of $0.004 per share to raise $1,209,000 before associated costs. Of this amount, proceeds of $1,079,000 had been received prior to 30 June 2017 (see Note 14).

26. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Financial position

	2017 $	2016 $
Assets		
Current assets	2,804,531	1,136,264
Non-current assets	858,571	859,619
Total assets	3,663,102	1,995,883
Liabilities		
Current liabilities	1,919,620	180,690
Total liabilities	1,919,620	180,690
Net assets	1,743,482	1,815,193
Equity		
Issued capital	23,140,753	21,017,352
Shares yet to be issued		-
Reserves	1,493,456	905,779
Accumulated losses	(22,890,727)	(20,107,938)
Total equity	1,743,482	1,815,193
Financial performance		
Loss for the year	(2,782,789)	(2,068,511)

Commitments and contingencies

There were no other material commitments or contingencies at the reporting date for the parent.

27. Subsidiaries

Mount Ridley Mines Limited holds a 100% interest in Australian incorporated Greencode Pty Ltd which is dormant and has no assets.

Mount Ridley Mines Limited is the head entity within the tax consolidation group.

28. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 29 September 2017.

Schedule of tenements held at balance date

Location	Project Name	Tenement #	Ownership	Titleholder
Western Australia	Mt Ridley	EL63/1547	100%	Mount Ridley Mines Limited
Western Australia	Mt Ridley	EL63/1564	100%	Mount Ridley Mines Limited
Western Australia	Mt Ridley	EL63/1617	100%	Mount Ridley Mines Limited
Western Australia	Mt Ridley	EL63/1719	100%	Mount Ridley Mines Limited

ASX Additional Information as at 28 September 2017

Ordinary share capital
1,521,433,243 fully paid ordinary shares are held by 2,822 individual shareholders.

Each ordinary share is entitled to vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

656,631,515 listed $0.0125 options expiring 31 August 2019 are held by 89 option holders
5,000,000 unlisted $0.070 options expiring 31 March 2018 are held by 1 option holder. (i)
10,000,000 unlisted $0.021 options expiring 31 August 2019 are held by 1 option holder. (ii)
22,500,000 unlisted $0.015 options expiring 21 November 2019 are held by 4 option holders. (iii)

Options do not carry a right to vote.

Unlisted Options Holders holding 20% or more

(i) 5,000,000 Options held in the name of DJ Carmichael Pty Ltd (100%).
(ii) 10,000,000 Options held in the name of MBE Finance Pty Ltd <Hillsden Family A/C> (100%).
(iii) 10,000,000 Options held in the name of Mr Ashley Keith Hood (44%), 5,000,000 Options are held in the in the name of Orequest Pty Ltd (22%) and 5,000,000 Options are held in the in the name of Yeldep Pty Ltd (22%).

Distribution of holdings

Category (size of holding)	Number of ordinary shares	Number of holders	% holding
1 – 1,000	18,197	41	0.00
1,001 – 5,000	288,580	126	0.02
5,001 – 10,000	467,046	63	0.03
10,001 – 100,000	74,351,790	1,213	4.89
100,001 and over	1,446,307,630	1,367	95.06
	1,521,433,243	**2,810**	**100.00**

Unmarketable parcels
There are 937 shareholdings held in less than the marketable parcels.

Substantial shareholders

	Number of shares	% holding
1. Mount Street Inv PL <M J Blake S/F A/C>	90,000,000	5.92

Restricted securities
The Company has no restricted securities on issue.

On-Market buy-back
There is no current on-market buy-back.

Twenty (20) largest shareholders of quoted equity securities

Name	Number of Shares Held	% of Issued Capital
Mount Street Inv PL<M J Blake S/F A/C>	90,000,000	5.92
Redcode PL	75,000,000	4.93
Tirumi Pty Ltd <Tirumi Super Fund A/C>	50,000,000	3.29
Yeo Shaun Patrick	37,500,000	2.46
Sealblue Inv PL	26,185,357	1.72
Tirumi Pty Ltd <Tirumi Super Fund A/C>	26,000,000	1.71
Evans Tiffany Hilda	25,000,000	1.64
Tadea PL	23,000,000	1.51
Metalite PL	22,600,000	1.49
Lolly Pop Inv PL	20,500,000	1.35
Galluccio John Michael<Johnno Galluccio Fam>	18,500,000	1.22
Larter-Conway Sean Peter	16,198,543	1.06
J P Morgan Nom Aust Ltd	15,664,571	1.03
Archfield Hldgs PL	15,000,000	0.99
Le Page Guy T + D L<Guy Le Page S/F A/C>	14,687,500	0.97
Berzins Roland H + C M	10,418,214	0.68
Evantage PL<PJ & BJ Christie S>	10,250,000	0.67
Alitme Nom PL<Honeyham Fam A/C>	10,000,000	0.66
Wolpers Raymond<R&L Fam A/C>	10,000,000	0.66
Chapman Res PL<Keith Hood S/F A/C>	9,736,490	0.64
	526,240,675	**34.60**