SPECTRUM
RARE EARTHS LIMITED

2016

ANNUAL REPORT

Spectrum Rare Earths Limited

ABN: 94 115 770 226

Contents

Corporate Directory

Directors

Mr Anthony Barton
Non-Executive Chairman
Mr Leonid Charuckyj
Non-Executive Director
Mr Alexander Moyle
Non-Executive Director

Company Secretaries

Mr Graeme Boden
Ms Natasha Forde
P: +61 8 9286 1219
F: +61 8 9284 3801
Email: gboden@bigpond.net.au
Email: natashaforde@bigpond.com

Registered Office & Principal Place of Business

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Share Registry

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Auditors

William Buck Audit (WA) Pty Ltd
Level 3, 15 Labouchere Road
South Perth WA 6151

Company Information

Incorporated in Western Australia, August, 2005
Listed on the Australian Securities Exchange (ASX)
Home Exchange: Perth
Code: **SPX** (Ordinary Shares)

Chairman's Address

Dear Spectrum Shareholders,

During the 2015/2016 financial year the Board made a decision to preserve remaining capital and to relinquish the exploration tenements that encompassed the Skyfall Rare Earths project area.

Unfortunately metallurgical testing of the rare earths previously identified in those areas failed to deliver a compelling commercial case for developing and/or retaining these areas with expensive annual rentals.

The Company has now disposed of most of the assets in storage and readily saleable in the Northern Territory (N.T.) and awaiting the refund of environmental bonds from the NT Mines department.

The key remaining asset, a man portable diamond drilling rig, has also been listed for sale.

The Company is now being operated on the leanest possible budget whilst Directors continue investigating new areas in the minerals exploration arena to refocus on.

I would also like to thank my fellow directors and Company Secretaries for their ongoing support in such challenging circumstances.

Yours sincerely

Anthony Barton
Non-Executive Chairman

Tenement Schedule

As of September 2016, Spectrum Rare Earths Limited ("Spectrum") has three, 100% owned, tenements and applications in the Northern Territory (See Figure 1 for the tenement locations and title numbers). These comprise one granted and two tenement applications. The total tenement area equals 820km^2.

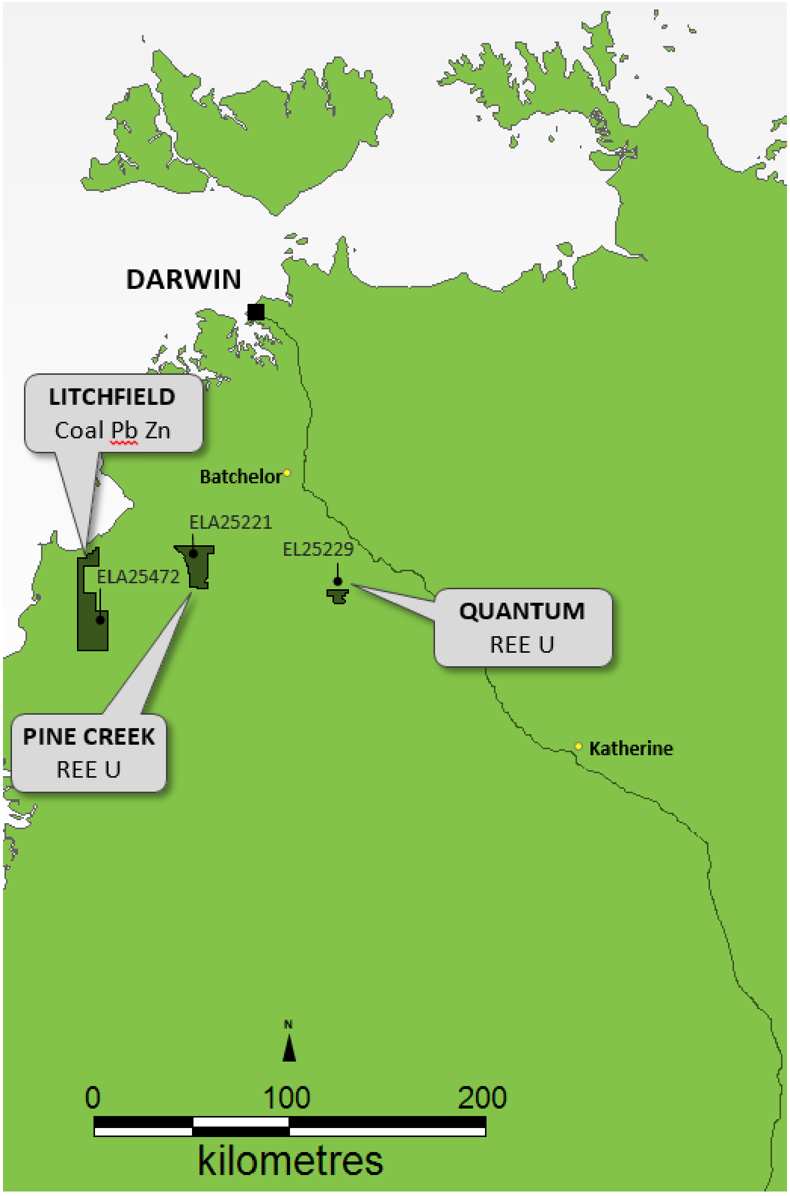

Figure 1: Spectrum's Tenement Holdings in the Northern Territory (September 2016)

During the year the Company reduced its land holding from 9,505km^2 to 820km^2 (14 tenements down to 3 tenements). Table 1, below, details Spectrum's tenement holdings as at the date of this report.

Tenement	Project Name	Company	Area (km²)	Status	Date of Grant
EL25229	Quantum REE	Spectrum	36.70	Grant, 2 year extended term	09/11/2006
ELA25221	Litchfield	Spectrum	256.30	Moratorium	
ELA25472	Litchfield	Spectrum	526.90	Application	
	TOTAL AREA		819.90km^2		

Table 1: Spectrum Rare Earths Limited's 100% Tenement Holdings, September 2016

Directors' Report

The directors present their report on the Consolidated Entity, comprising Spectrum Rare Earths Limited (referred to in these financial statements as "the Consolidated Entity" or "Spectrum Rare Earths Limited") and its wholly owned subsidiary, together with the financial report for the year ended 30 June, 2016 and the audit report thereon.

1 DIRECTORS

The names and details of the Company's directors in office during the financial year or since the end of the financial year are set out below.

Unless otherwise indicated, all Directors held their position as a Director throughout the entire year and up to the date of this report, and held no directorships in the past three years in other ASX listed entities.

Anthony Barton
Non-Executive Chairman (from 1 May, 2014) (Appointed Non-Executive Director 6 April, 2011)

Mr Barton has been involved in founding and growing a number of successful listed public companies. He has extensive experience in capital markets, corporate finance, funds management and venture capital and has had advisory roles in the incorporation and listing of many Australian based resource companies. Mr Barton is the founding Executive Chairman of the boutique investment bank, Australian Heritage Group. He is a graduate of the Royal Melbourne Institute of Technology with a Bachelor of Business (Accountancy) degree and has 35 years of commercial experience having also acted in senior executive and director capabilities for two leading Australian stockbroking firms. Mr Barton also is currently Non-Executive Chairman of King River Copper Ltd (21 May, 2007 to present).

Leonid Charuckyj
Non-Executive Director (Appointed 22 December, 2011)

Mr Charuckyj has had extensive experience over a broad range of technical, engineering, management and corporate roles including senior positions in government, public and private industry both in Australia and overseas. Focus has been on the environmental, pollution control and waste management industries and on the energy and mining industries amongst others. Mr Charuckyj is currently a Non-Executive Director of King River Copper Ltd (13 December 2011 to present).

Alexander Moyle
Non-Executive Director (Appointed 24 November, 2015)

Alexander (Sandy) (BSc Hons Economic Geology) has more than 30 years mineral exploration and corporate experience in Australia, SW Pacific and SE Asia spanning a diverse range of mineral commodities. He has held various senior management positions including Regional Exploration Manager- Southwest Pacific with Kennecott Explorations (Australia) Ltd, General Manager Exploration with Aurora Gold Ltd and CEO of Goldminex Resources Limited. Sandy has been involved in the discovery and development of several major deposits including the 30Moz Lihir gold deposit in PNG.

Sandy is a member of the AIG, AusIMM, SEG, a Graduate of the Macquarie School of Management Advanced Management Program and a Graduate of the AICD.

Huipeng Zhang
Non-Executive Director (Resigned 24 November, 2015)

Mr Zhang has been involved in coal trading for many years and is very experienced in this field. He has established very good connections with coal traders in Australia over the years. Mr Zhang is the president of Jialong Trading Co., Ltd (Jialong), as well as Widetop Mining Investments Pty Ltd (WMI). Jialong was incorporated in 2009 and mainly engaged in importing and marketing of coal and iron ore. The Company has been importing coals in bulk quantity from Australia since then and has become the major coal importer and distributor in the Shandong Province. It has built long and stable business cooperation relationships since its incorporation with partners from Australia, Indonesia, and South Africa. Mr Zhang is also the president of Rizhao Kaixun Electronic Co., Ltd which is one of the largest electronic locker equipment manufacturers and exporters.

2 COMPANY SECRETARIES

Graeme Boden
(Appointed secretary on 11 December, 2006)

Graeme is an experienced business executive with more than 35 years in senior corporate or financial roles, particularly in the planning and evaluation function of the resources industry and in the finance and administration function of a range of industries. He has over 30 years' experience as a Director or Secretary of ASX listed companies.

Natasha Forde
(Appointed secretary on 16 April, 2015)
Natasha has 9 years' experience, as an employee of Boden Corporate Services Pty Ltd, providing company secretarial and accounting services to a range of ASX listed and unlisted companies.

3 DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each director while they were a director was as follows:

	Board Meetings	
Director	**A**	**B**
Alexander Moyle	3	3
Anthony Barton	5	5
Huipeng Zhang	2	-
Leonid Charuckyj	5	5

A Number of meetings held whilst a director.
B Number of meetings attended.

There are no separate board committees established. The whole board sits as a committee when that is required.

During the year there were no meetings of the audit committee, nomination committee or remuneration committee.

4 DIRECTORS' INTERESTS

Interests in the shares and options of the Consolidated Entity as at the date of this report:

Director	***Ordinary Shares***
Anthony Barton	50,923,312
Leonid Charuckyj	20,685,000
Alexander Moyle	5,000,000

No share options were issued to directors or senior management during the financial year.

5 DIVIDENDS

No dividends have been paid or declared by the Company since the incorporation of the Company.

6 PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the course of the financial year was the exploration and evaluation of rare earths.

There were no significant changes in the nature of activities during the year.

7 OPERATING AND FINANCIAL REVIEW

Overview

The Company was incorporated on 15 August, 2005 for the primary purpose of acquiring prospective mineral exploration licences in the Northern Territory. Spectrum Rare Earths Limited successfully acquired a diverse portfolio of tenements which it believes are prospective for rare earth, uranium, gold and base metals. The present granted tenement of the Company are focussed on rare earth elements.

Operating Results for the Year

The net loss of the Consolidated Entity for the year ended 30 June, 2016 was $2,028,841 (2015: $4,606,991).

The major items of expenditure were directors remuneration totalling $182,947 (2015: $227,845) and professional services expense of $167,215 (2015: $131,247). A further $101,057 (2015: $825,602) was capitalised as exploration and evaluation expenditure in accordance with the relevant accounting standards. During the year $1,660,165 (2015:$3,937,028) of exploration and evaluation expenditure was written off in relation to tenements no longer held by the Company or after assessment of the potential value of the tenements.

Financial Position

Cash and assets utilised by the Consolidated Entity for the year ended 30 June, 2016 are consistent with the Consolidated Entity's business objectives since listing on the ASX on 26 April, 2007. Cash in bank at the end of the year was $218,801 (2015: $196,914).

Exploration Activities

Metallurgical evaluation during the September 2015 quarter had the objective of reducing floatation reagents, reducing losses to tailings and reducing losses to slimes arising from crushing.

The results from the work did not provide sufficient encouragement to continue further testwork and the Skyfall tenement was relinquished during December 2015.

8 SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity, in future financial years, other than:

- The wholly owned subsidiary, Carpentaria Minerals Pty Ltd was deregistered on 31 July 2016.

9 LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Spectrum is now focused on investigating other mineral exploration opportunities.

Recent changes to the ASX listing rules now deem it most appropriate for the Company to need to identify a new mineral exploration opportunity.

A number of opportunities have been reviewed and are still under consideration.

It is hoped that a new direction can be identified, and announced to the ASX before the need to raise additional capital.

10 ENVIRONMENTAL REGULATION

The exploration activities of the Consolidated Entity are subject to environmental regulations imposed by various regulatory authorities, particularly those relating to ground disturbance and the protection of rare and endangered flora and fauna. The Consolidated Entity has complied with all material environmental requirements up to the date of this report. The directors believe that the Consolidated Entity has adequate systems in place for the management of its environmental responsibilities and are not aware of any breaches of the regulations during the period covered by this report.

11 OPTIONS

As at the date of this report, there are no unissued ordinary shares under option.

12 INDEMNIFICATION AND INSURANCE OF DIRECTORS AND AUDITORS

The Consolidated Entity has paid premiums to insure the Directors against liabilities incurred in the conduct of the business of the Consolidated Entity and has provided right of access to Consolidated Entity records. In accordance with common commercial practice, the insurance policy prohibits disclosure of the amount of the premium and the nature of the liability insured against.

13 REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for key management personnel of Spectrum Rare Earths Limited (the "Consolidated Entity").

Remuneration levels for directors and executives are competitively set to attract the most qualified and experienced candidates, taking into account prevailing market conditions and the experience and qualifications of individuals.

In accordance with best practice corporate governance the structure of non-executive directors and executive remuneration is separate and distinct.

The following persons acted as key management personnel of the company during or since the end of the financial year:

Mr A Barton	(Non-Executive Chairman)
Mr L Charuckyj	(Non-Executive Director)
Mr A Moyle	(Non-Executive Director) (Appointed 24 November 2015)
Mr H Zhang	(Non-Executive Director) (Resigned 24 November 2015)
Mr G Boden	(Joint Company Secretary)
Ms N Forde	(Joint Company Secretary)

<u>Non-executive director remuneration and employment terms</u>

The Board has aggregated remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre whilst incurring a cost which is acceptable to the shareholders.

Each of the non-executive directors receives a fixed fee for their services as directors. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievement of certain key performance indicators.

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 latest determination was on 26 August, 2011 when shareholders approved aggregate remuneration of $300,000 per year.

Non-executive directors' base fees are presently $40,000 per annum and the non-executive chairman receives $55,000 per annum. The Company also pays superannuation contributions at the statutory rate, or an amount in lieu, in addition to these amounts. Presently the director's full amount of fees and superannuation is being accrued as a subordinated loan. A general meeting was called to seek shareholder approval for the issue of shares in lieu of fees accrued up to 31 August 2015.

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 considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The non-executive directors are not employed under contract and their current remuneration is set out as follows:

Director	Remuneration
Mr A Barton	Fees of $55,000 plus statutory superannuation guarantee contribution.
Mr L Charuckyj	Fees of $40,000 plus statutory superannuation guarantee contribution.
Mr A Moyle	Fees of $40,000 plus statutory superannuation guarantee contribution.

Executive remuneration and employment terms

Executives receive a fixed remuneration set to provide a base level commensurate with their position and responsibilities within the Company and so as to align the interests of executives with those of shareholders and ensure total remuneration is competitive by market standards.

In addition, executives are entitled to participate in equity-based remuneration plans to recognise ability and effort, provide incentive to improve Company performance, attract appropriate persons and promote loyalty. In the case of executive directors, this participation is subject to shareholder approval.

The relationship between remuneration policy and company performance has not yet been established due to the Company being in an exploration phase, with no meaningful relationship between expenditure and executive remuneration.

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the last 5 years:

	30 June 2016 $	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $
Revenue	2,957	40,465	330,150	61,151	282,493
Profit/ (loss) before tax	(2,203,732)	(4,780,112)	(883,524)	(4,970,961)	(1,852,087)
Net profit/ (loss) after tax	(2,028,841)	(4,606,991)	(686,732)	(4,380,383)	(1,677,976)

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Share price at start of year	$0.006	$0.048	$0.035	$0.13	$0.22
Share price at end of year	$0.005	$0.006	$0.048	$0.035	$0.12
Loss per share	0.76cps	2.67cps	0.47cps	3.5cps	1.4cps

Details of remuneration for the year ended 30 June 2016

Details of the nature and amount of each major element of remuneration of each Key Management Personnel of the Company are:

		Short Term Employee Benefit		Post Employment Benefit		
Key Management Personnel	**Year**	**Directors Salary or Fees $**	**Fees for Other Services Provided $**	**Superannuation $**	**Share Based Payments $**	**Total $**
Non-Executive						
Mr A Moyle (1)	2016	26,402	35,000	-	-	61,402
	2015	-	-	-	-	-
Mr A Barton	2016	50,187	-	-	10,038	60,225
	2015	5,019	-	-	55,206	60,225
Mr H Zhang (2)	2016	10,220	-	-	7,300	17,520
	2015	3,650	-	-	40,150	43,800
Mr L Charuckyj	2016	33,333	-	3,167	7,300	43,800
	2015	3,333	-	317	40,150	43,800
Secretary						
Mr G Boden & Ms N Forde (3)	2016	-	53,438	-	-	53,438
	2015	-	63,727	-	-	63,727
Executive						
Mr I Bamborough (4)	2016	-	-	-	-	-
	2015	166,702	-	7,979	-	174,681
Total Key Management Personnel	**2016**	**120,142**	**88,438**	**3,167**	**24,638**	**236,385**
	2015	**178,704**	**63,727**	**8,296**	**135,506**	**386,233**

Notes:

1. Mr A Moyle was appointed as a director on 24 November 2015.
2. Mr H Zhang resigned as a director on 24 November 2015
3. Remuneration paid to G Boden represents payments to Boden Corporate Services Pty Ltd (BCS) charged at hourly rates for time spent by G Boden and other employees of BCS, including joint secretary, Ms N Forde, for company secretarial, accounting and financial administration activities.
4. Mr I Bamborough resigned as Managing Director on 30 November 2014.

Share Holdings and Transactions of Key Management Personnel:

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

Key Management Personnel	Balance 1 July 2015	Net Change Other[3]	Shares Issued as Remuneration	Balance at Resignation	Balance 30 June 2016
Mr A Moyle[1]	n/a	-	5,000,000	n/a	5,000,000
Mr A Barton	14,489,531	14,489,531	21,944,250	n/a	50,923,312
Mr L Charuckyj	1,680,000	1,680,000	17,325,000	n/a	20,685,000
Mr H Zhang [2]	31,000,000	-	15,709,750	46,709,750	n/a
Mr G Boden	875,000	875,000	-	n/a	1,750,000
Ms N Forde	-	-	-	n/a	-
Total	48,044,531	17,044,531	59,979,000	46,709,750	78,358,312

Notes:
1. Mr A Moyle was appointed as a director on 24 November 2015.
2. Mr H Zhang resigned as a director on 24 November 2015.
3. Participation in entitlement issue completed on 28 October 2015.

Options Holdings and Transactions of Key Management Personnel:

There were no options over ordinary shares in the Group held, directly, indirectly or beneficially, by each key management person, including their related parties as at reporting date (2015: Nil).

Key Management Personnel Transactions:

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year exclusive of GST:

Related Party	Year	Purchases from related parties $	Sales to related parties $	Amount owed by related parties $	Amounts owed to related parties $
A J Moyle & Associates Pty Ltd	2016	35,000		-	-
	2015	-		-	-
Boden Corporate Services Pty Ltd	2016	53,438		-	2,386
	2015	63,727		-	933
King River Copper Ltd	2016	-	36,818	-	-
	2015	-	-	-	-

Related party payables are non-interest bearing and are normally settled on 30-day terms.

A J Moyle & Associates Pty Ltd

The Company has entered into an agreement with A J Moyle & Associates, a company related to Mr Alexander Moyle, for the provision of geological consulting services.

Boden Corporate Services Pty Ltd

The Company has engaged the services of Boden Corporate Services, a company related to Mr Graeme Boden, for the provision of company secretarial and accounting services. This contract is for a period of two years, and can be terminated on three months' notice, with fees to be charged in accordance with normal charge out rates for Mr Boden and other employees of the service company, including joint secretary, Ms Natasha Forde.

King River Copper Ltd

During the year King River Copper Ltd, a company related to Mr Anthony Barton and Mr Leonid Charuckyj, agreed to purchase various fixed assets held by the company which have been in storage since November 2014. The purchase of these assets was overseen by independent director Mr Alexander Moyle.

- END OF AUDITED REMUNERATION REPORT -

14 CORPORATE GOVERNANCE

The Company's corporate governance statement can be found at the following URL:

http://spectrumrareearths.com.au/images/160928%20SPX%20Corporate%20Governance%20Statement.pdf

15 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.

The Company was not a party to any such proceedings during the year.

16 NON AUDIT SERVICES

William Buck Audit (WA) Pty Ltd did not provide any non-audit services to the Company during the year ended 30 June, 2016 (2015: $Nil).

17 AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of the Directors Report for the year ended 30 June, 2016.

Signed at Perth this 28th day of September, 2016 in accordance with a resolution of the directors made pursuant to s298(2) of the *Corporations Act 2001*.

Anthony Barton
Non-Executive Chairman

William Buck

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SPECTRUM RARE EARTHS LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2016 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Robin Judd
Director
Dated this 28th day of September, 2016

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Consolidated Statement of Profit or Loss & Other Comprehensive Income

For the year ended 30 June 2016

	Note	2016 $	2015 $
Income			
Sale of subsidiary	23	-	1
Interest received	6(a)	2,957	8,838
Other Income		-	31,626
Total Income		2,957	40,465
Expenses			
Directors' remuneration		(182,947)	(227,845)
Employee benefits expense		58	(84,794)
Depreciation expense		(43,908)	(55,978)
Impairment of capitalised exploration & evaluation expenditure	13	(1,660,165)	(3,937,028)
Reversal of impairment loss of plant & equipment	14	24,863	-
Impairment loss of plant & equipment	14	-	(158,529)
Provision for non-recovery of tenement security bonds	12	(35,908)	-
Rental expense		(6,550)	(39,095)
Loss on disposal of fixed assets		(14,757)	(43,397)
Exploration and evaluation expense		(60,893)	(35,635)
Professional services expense		(167,215)	(131,247)
Other expenses from operating activities		(59,267)	(107,029)
Total Expenses		(2,206,689)	(4,820,577)
Loss before income tax		(2,203,732)	(4,780,112)
Income tax benefit/(expense)	7	174,891	173,121
Loss for the Year Attributable to the Owners of the Company		(2,028,841)	(4,606,991)
Other Comprehensive Income		-	-
Total Comprehensive Loss for the Year Attributable to the Owners of the Company		**(2,028,841)**	**(4,606,991)**
Loss per share			
Loss per share	8	**Cents**	**Cents**
- Basic for loss for the year		(0.76)	(2.67)
- Diluted for loss for the year		(0.76)	(2.67)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	30 June 2016 $	Restated 30 June 2015 $	Restated 1 July 2014 $
ASSETS				
Current Assets				
Cash and cash equivalents	10	218,801	196,914	631,744
Trade and other receivables	11	27,836	15,129	40,532
Other assets	12	68,160	14,927	28,905
Total Current Assets		314,797	226,970	701,181
Non-Current Assets				
Exploration and Evaluation Expenditure	13	-	1,559,108	4,670,534
Other assets	12	-	109,313	109,313
Plant and equipment	14	30,000	120,000	442,727
Total Non-Current Assets		30,000	1,788,421	5,222,574
TOTAL ASSETS		344,797	2,015,391	5,923,755
LIABILITIES				
Current Liabilities				
Trade and other payables	15	152,196	303,670	374,445
Total Current Liabilities		152,196	303,670	374,445
TOTAL LIABILITIES		152,196	303,670	374,445
NET ASSETS		192,601	1,711,721	5,549,310
EQUITY				
Equity attributable to equity holders of the Company				
Issued capital	16	18,756,456	18,246,735	17,477,333
Accumulated losses		(18,563,855)	(16,535,014)	(11,928,023)
TOTAL EQUITY		192,601	1,711,721	5,549,310

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Other receipts		10,731	31,626
Research and development tax credit		174,891	173,121
Payments to suppliers and employees		(295,472)	(666,151)
Net cash flows used in operating activities	10	(109,850)	(461,404)
Cash flows from investing activities			
Interest received		4,675	9,375
Proceeds from sale of subsidiary	23	-	1
Proceeds from sale of plant and equipment		38,018	72,675
Purchase of plant and equipment		-	(7,852)
Capitalised Exploration & Evaluation Expenditure		(130,891)	(817,744)
Net cash flows used in investing activities		(88,198)	(743,545)
Cash flows from financing activities			
Proceeds from issue of shares/exercise of options		232,962	800,402
Cost of shares issued		(13,027)	(31,000)
Net cash flows used in financing activities		219,935	769,402
Net increase/(decrease) in cash and cash equivalents		21,887	(434,830)
Cash and cash equivalents at beginning of year		196,914	631,744
Cash and cash equivalents at end of the year	10	218,801	196,914

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Note	Issued Capital $	Accumulated Losses $	Total Equity $
At 1 JULY 2014		**17,477,333**	**(12,037,336)**	**5,439,997**
Prior period restatement	3	-	109,313	109,313
At 1 JULY 2014 - Restated		**17,477,333**	**(11,928,023)**	**5,549,310**
Loss for the year		-	(4,606,991)	(4,606,991)
Other Comprehensive loss		-	-	-
Total Comprehensive loss		-	(4,497,678)	(4,497,678)
Issue of share capital	16	800,402	-	800,402
Share issue costs		(31,000)	-	(31,000)
At 30 JUNE 2015		**18,246,735**	**(16,535,014)**	**1,711,721**
Loss for the year		-	(2,028,841)	(2,028,841)
Other Comprehensive loss		-	-	-
Total Comprehensive loss		-	(2,028,841)	(2,028,841)
Issue of share capital	16	232,961	-	232,961
Share Issue Costs	16	(13,027)	-	(13,027)
Share Based Payments	16	289,787	-	289,787
At 30 JUNE 2016		**18,756,456**	**18,563,855**	**192,601**

The accompanying notes for part of these financial statements.

1 CORPORATE INFORMATION

The financial report of the Consolidated Entity comprising Spectrum Rare Earths Limited and its wholly owned subsidiary for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 28 September, 2016.

Spectrum Rare Earths Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Company's principal activity is mineral exploration with tenements located only in the Northern Territory of Australia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The financial report is presented in Australian dollars.

The financial report complies with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ('IFRS').

(b) Going Concern

The financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

The Consolidated Entity has incurred a loss for the year of $2,028,841 (2015: $4,606,991) and experienced net cash outflows from operating and investing activities of $198,048 (2015: $1,204,949). As at 30 June 2016, the Consolidated Entity had cash and cash equivalents of $218,801 (2015: $196,194).

These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern.

The directors believe that it is appropriate to prepare the financial report on a going concern basis after consideration of the following matters:

- There is capacity for the Consolidated Entity to reduce its operating cost structure and related cash outflows within the available cash balance. In this regard, the Non-Executive Directors are deferring all of their fees and the total amount of $123,309 outstanding as at 30 June 2016 is being accrued as a loan subordinated to all other debts of the company, to be repaid in cash at an appropriate time not less than 12 months from the date of this report, or, possibly, by the issue of shares with the approval of shareholders.
- The directors have provided letters of financial support to ensure the company meets its financial obligations for at least 12 months from the date of the financial report. The directors have also confirmed that they will not draw on further remuneration for at least 12 months from the date of the financial report, or until such time as the company has sufficient available cash resources.
- The directors have prepared a cash flow forecast which indicates that the Consolidated Entity will have sufficient cash flows to meet commitments and working capital requirements for at least 12 months from the date of signing the financial report if they are successful in relation to matters referred above.

Should the Consolidated Entity be unable to achieve the matters set out above, there is material uncertainty whether the Consolidated Entity will be able 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. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification or liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(c) New accounting standards and interpretations

Application of new and revised accounting standards

The Group has adopted all of the new and revised pronouncements which became mandatory for annual reporting periods beginning on or after 1 July 2015.

The adoption of these pronouncements did not have a significant impact on the financial performance or position of the Group.

Standards and interpretations issued, but not yet adopted

Certain new accounting standards and interpretations have been published that are not yet mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations, most relevant to the consolidated entity, are set out below.

— *AASB/NZ IFRS 9 Financial Instruments (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018)*

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances
- simplifying the requirements for embedded derivatives
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's won credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

Given the nature of the Group's financial assets and liabilities, the impact is not expected to be significant.

The Group does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

<u>Other standards not yet applicable</u>

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(d) Plant and equipment

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

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

- Plant and equipment - over 5 to 15 years

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 the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Exploration, evaluation and development expenditure

Exploration and evaluation costs are capitalised as incurred. Expenditure is accumulated in respect of each separate area of interest. Acquisition, exploration, evaluation and development costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated expenditure in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated expenditure written off to the extent that it is considered to be unrecoverable in the future. Amortisation is not charged on expenditures carried forward in respect of areas of interest in the development phase until production commences. Costs incurred before the Company has obtained the legal rights to explore are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(f) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company 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.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or Company's assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Provision for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principle payments or the probability that they will enter bankruptcy or other financial reorganisation.

(h) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(i) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(k) Employee benefits

Short-term employee benefits:

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

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

Other long-term employee benefits:

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on Corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation benefits:

All employees of the Group, located in Australia receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.50% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of

2 Summary of Significant Accounting Policies *(Cont'd)*

employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

(l) Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Share-based payment transactions

The cost of the options granted to employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/ or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 8).

(n) Leases

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, 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 against income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the statement of profit and loss and other comprehensive income on a straight-line basis over the lease term.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest:

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

(p) Income tax

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

Current tax:

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Profit and 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 Consolidated

Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax:

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit and loss and other comprehensive income.

Other taxes:

The Consolidated Entity recognises Research and Development Tax rebates through income tax expense.

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

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

(q) Operating Segments

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Spectrum Rare Earths Limited has only one operation, exploration for minerals, and operates only in one geographical location, the Northern Territory of Australia. Consequently the Consolidated Entity does not report segmented operations.

(r) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Consolidated Entity and Entities (including special purpose entities) controlled by the Consolidated Entity (its subsidiaries). The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 22.

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the group controls another entity.

Unrealised gains or transactions between the group and its associates are eliminated to the extent of the group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 RESTATEMENT OF PRIOR PERIOD ACCOUNTS

Detailed below is an explanation of a prior period restatement identified in relation to the 2015 financial year.

During the current period, it was identified that security bonds being held on the Group's tenements had been historically accounted for as capitalised exploration expenditure rather than as other assets. Over the past years, these security bonds were impaired together with the capitalised exploration expenditure to the profit or loss when they should have been recognised as other assets.

As it is impracticable to determine when the error has occurred, the correction was made to the opening balances as at 1 July 2014, to increase non-current assets by $109,313 and decrease accumulated losses by $109,313. The impact of the restatement on the financial report for the year ended 30 June 2015 is as follows:

Financial report line item/balance affected: ***Consolidated statement of financial position extract:***	**Previously stated 30 June 2015 $**	**Correction $**	**Restated 2015 $**
Non-current assets			
Security deposits	-	109,313	109,313
Total non-current assets	1,679,108	109,313	1,788,421
Net Assets	1,602,408	109,313	1,711,721
Equity			
Accumulated losses	(16,644,327)	109,313	(16,535,014)
Consolidated statement of changes in equity extract:			
Accumulated losses – Closing balance	(16,644,327)	109,313	(16,535,014)

4 Financial Risk Management Objectives and Policies

Capital Management:

The Board's objective when managing capital is to maintain a strong capital base so as to safeguard the Consolidated Entity's ability to continue as a going concern. The management of the Consolidated Entity's capital is performed by the Board.

There were no changes in the Consolidated Entity's approach to capital management during the year.

Financial Instruments:

The Consolidated Entity's financial instruments include cash, short-term deposits, trade debtors and trade creditors, which are disclosed in the accompanying notes.

It is, and has been throughout the period under review, the Consolidated Entity's policy that no trading in financial instruments shall be undertaken.

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

Interest rate risk:

The Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's cash and cash equivalents.

The Consolidated Entity's policy is to manage its interest risk by having monies on deposits varying in maturity.

Credit risk:

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

There are no significant concentrations of credit risk within the Consolidated Entity. The carrying amount of the Consolidated Entity's financial assets represents the maximum credit risk exposure, as represented as follows:

	2016	**2015**
	$	**$**
Cash and cash equivalents	218,801	196,914
Trade and other receivables	27,836	15,129
	246,637	212,043

Risk Exposures and Responses

Liquidity Risk:

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Consolidated Entity's funding and liquidity management requirements. The Consolidated Entity manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the maturities and interest rate risk for the Consolidated Entity's financial instruments. The tables have been drawn up based on the undiscounted cash flows of the financial instruments based on the earliest date on which the Consolidated Entity can be required to pay or call on the financial instrument. The following tables also include the weighted average effective interest rate for each financial instrument subject to interest rate risk.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Year ended 30 June 2016	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	Total $
Financial Assets				
Interest Bearing				
Cash and cash equivalents	0.76	218,801	-	218,801
Non-Interest Bearing				
Trade and other receivables		27,836	-	27,836
Total Financial Assets		246,637	-	246,637
Financial Liabilities				
Non-Interest Bearing				
Trade and other payables		28,887	123,309	152,196
Total Financial Liabilities		28,887	123,309	152,196
Net Financial Assets		217,750	(123,309)	94,441
Year ended 30 June 2015				
Financial Assets				
Interest Bearing				
Cash and cash equivalents	1.30	196,914	-	196,914
Non-Interest Bearing				
Trade and other receivables		15,129	-	15,129
Total Financial Assets		212,043	-	212,043
Financial Liabilities				
Non-Interest Bearing				
Trade and other payables		108,392	195,278	303,670
Total Financial Liabilities		108,392	195,278	303,670
Net Financial Assets		103,651	(195,278)	(91,627)

Fair value:

The fair value of assets and liabilities are approximate to their carrying amounts.

Interest rate sensitivity:

A sensitivity of 2 per cent has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates. A 2% movement in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant:

	Profit or loss		Equity	
	2% increase	2% decrease	2% increase	2% decrease
2016: Cash and cash equivalents	4,376	(4,376)	4,376	(4,376)
2015: Cash and cash equivalents	3,938	(3,938)	3,938	(3,938)

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Consolidated Entity's accounting policies, which are described in note 2, the directors 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 in 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.

Significant accounting estimates and assumptions:

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Exploration and evaluation expenditure

The Consolidated Entity has capitalised significant exploration and evaluation expenditure on the basis that this is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

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

As at 30 June, 2016, the carrying value of capitalised exploration and evaluation is $Nil (2015: $1,559,108).

6 INCOME AND EXPENSES

	2016 $	2015 $
(a) Finance income		
Bank interest receivable	2,957	8,838
Total finance income	2,957	8,838
(b) Depreciation expense		
Depreciation	43,908	55,978
(c) Impairment expense		
Impairment of capitalised exploration and evaluation expenditure (note 13)	1,660,165	3,937,028
Reversal of impairment loss of plant & equipment (note 14)	(24,863)	-
Impairment loss of plant & equipment (note 14)	-	158,528
(d) Operating Lease expenditure		
Rent – Core Facilities	6,550	13,500
Rent – Perth Office	-	25,595
	6,550	39,095
(e) Loss on disposal of Plant and Equipment		
Loss on disposal and sale of assets	14,757	43,397

7 INCOME TAX

Major components of income tax expense for the years ended 30 June 2016 and 2015 are:	2016 $	2015 $
Statement of Profit or Loss and Other Comprehensive Income:		
Current income tax charge	-	-
Research & Development tax credit	(174,891)	(173,121)
Deferred Income tax expense	-	-
Income tax expense/(benefit)	(174,891)	(173,121)

A reconciliation of income tax expense/(benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated Entity's effective income tax rate for the years ended 30 June 2016 and 2015 is as follows:

Accounting profit/(loss) before income tax	(2,203,732)	(4,780,112)
At the statutory income tax rate of 30% (2015: 30%)	(661,120)	(1,434,034)
Add non-deductible expenses:		
Impairment expenses on capitalised exploration and fixed assets	489,569	1,228,667
	(171,551)	(205,367)
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Tax Losses and Timing Differences not recognised	(3,340)	34,825
Income tax (benefit)/expense reported	(174,891)	(173,121)

Deferred Income Tax	**Statement of Financial Position**	
Deferred income tax at 30 June relates to the following:	**2016 $**	**2015 $**
Deferred income tax assets:		
Insurance premiums	1,646	4,478
Share Issue Costs	3,908	23,352
Fringe benefits tax	-	362
Subsidiary Formation expenses	53	53
R&D tax offset	29,131	174,891
Unused Tax Losses	5,144,819	4,581,096
Total Deferred income tax assets	5,179,557	4,784,232
Deferred income tax liabilities:		
Capitalised exploration expenditure	-	467,732
	-	467,732
Net deferred tax asset	5,179,557	4,316,500

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not possible at this stage of exploration to explicitly confirm the probability that future taxable profit will be available against which the Company can utilise these benefits.

Unrecognised deferred tax assets: Deferred tax assets have not been recognised in respect of the following items:	**2016 $**	**2015 $**
Research and development tax offset receivable	-	-
Tax Losses	5,179,557	4,316,500
	5,179,557	4,316,500

8 LOSS PER SHARE

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

The following reflects the loss and share data used in the total operations basic losses per share computations:	2016 $	2015 $
Net loss attributable to equity holders from continuing operations	(2,028,841)	(4,606,991)
Net loss attributable to ordinary shareholders for diluted loss per share	(2,028,841)	(4,606,991)
	Number	**Number**
Weighted average number of ordinary shares for basic loss per share	267,303,126	172,641,587
Adjusted weighted average number of ordinary shares for diluted loss per share	267,303,126	172,641,587

There is no dilution from the outstanding options as the Consolidated Entity is making a loss.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

9 DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed (2015: $Nil).

10 CASH AND CASH EQUIVALENTS	2016 $	2015 $
Cash at bank and in hand	218,801	196,914
	218,801	196,914
Cash at bank and in hand earns interest at floating rates based on daily bank rates.		
The fair value of cash and cash equivalents is:	218,801	196,914
Reconciliation of cash:		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
- Cash at bank and in hand	218,801	196,914
	218,801	196,914
Reconciliation from the net loss after tax to the net cash flows from operations:		
Net Loss	(2,028,841)	(4,606,991)
Adjustments for:		
Depreciation	43,908	55,978
Impairment of capitalised exploration and evaluation expenditure	1,660,165	3,937,028
Reversal of impairment loss of plant & equipment	(24,863)	-
Impairment loss of plant & equipment	-	158,529
Provision for non-recovery of tenement security bonds	35,908	-
Interest received	(2,957)	(9,375)
Loss from sale of assets	6,086	43,397
Loss from disposal of assets	8,672	-
Sale of Subsidiary	-	(1)
Changes in assets and liabilities:		
(increase)/decrease in trade and other receivables	18,889	24,686
(increase)/decrease in prepayments	9,441	13,978
(decrease)/increase in trade and other payables	163,743	(78,633)
Net cash from operating activities	(109,850)	(461,404)

11 TRADE AND OTHER RECEIVABLES (CURRENT)	**2016 $**	**2015 $**
Net Business Activity Statement Refund	3,434	13,411
Trade receivables	24,402	-
Accrued Receivables	-	1,718
	27,836	15,129

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

12 OTHER ASSETS

Current		
Prepayments	5,486	14,927
Security bonds (i)	62,674	-
	68,160	14,927
(i) Security deposits		
Balance at the beginning of year	-	-
Transfer from non-current asset	109,313	-
Refund of bonds received	(10,731)	-
Provision for non-recovery	(35,908)	-
Balance at the end of the year	62,674	-
Non-Current		
Security bonds (i)	-	109,313
	-	109,313
(i) Security deposits		
Balance at the beginning of year	109,313	-
Transfer to current asset	(109,313)	-
Restatement (note 3)	-	109,313
Balance at the end of the year	-	109,313

During the year ended 30 June 2016, the tenement security bonds held were reclassified from non-current to current asset as it is expected the security bonds will be realised within the next 12 months.

During the year the recoverability of the tenements security bonds was assessed and it was determined that is was likely not all of the bonds would be recovered, as such a provision has been recorded for the amount assessed as non-recoverable.

13 EXPLORATION AND EVALUATION EXPENDITURE

The following table is a reconciliation of movements in exploration and evaluation expenditure during the year.

Reconciliation:		
Balance at the beginning of year	1,559,108	4,670,534
Additions	101,057	825,602
Net Impairment (expenditure written off)	(1,660,165)	(3,937,028)
Balance at the end of the year	-	1,559,108

The above expenditure has been capitalised to the Statement of Financial Position. The recoverability of these assets is dependent on successful development and commercial exploitation of the tenements. Capitalised exploration expenditure was fully impaired in December 2015 as a result of the relinquishment of the related tenements.

14 PLANT AND EQUIPMENT

Plant & Equipment:	2016 $	2015 $
At 1 July,		
Net of accumulated depreciation	120,000	442,727
Additions	-	7,852
Reversal of impairment loss recognised in profit or loss	24,863	-
Impairment loss recognised in profit or loss	-	(158,529)
Disposals	(70,955)	(116,072)
Depreciation charge for the year	(43,908)	(55,978)
At 30 June,		
Net of accumulated depreciation	30,000	120,000
At 30 June:		
Cost	338,727	525,261
Accumulated depreciation	(175,061)	(246,732)
Impairment loss recognised in profit or loss	(133,666)	(158,529)
Net carrying amount	30,000	120,000

It was noted that the carrying value of plant and equipment was higher than the potential realisable value of these assets if they were sold. Therefore the Directors have proposed maintain a provision of $133,666 (2015: $158,529), to bring the carrying value in line with likely net realisable value.

Impairment losses recognised in the year

At 30 June, the Group carried out a review of the carrying amount of plant and equipment.

During the year plant and equipment with a cost of $186,534 and accumulated depreciation of $115,579 was disposed of, and an additional depreciation expense of $43,908 was recorded.

It was assessed the carrying value of the remaining plant and equipment at 30 June 2016 was $30,000. To achieve this value, and adjust for the movement during the year, the provision recorded at 30 June 2015 of $158,529 was reduced by $24,863, to a provision of $133,666.

The reversal of impairment losses have been included in profit or loss.

15 TRADE AND OTHER PAYABLES (CURRENT)	2016 $	2015 $
Trade payables – Operating Expenses	20,436	69,392
Trade payables – Exploration & Evaluation Expenditure	8,451	39,000
Trade payables – Accrued Directors' Remuneration	123,309	195,278
	152,196	303,670

Trade payables are non-interest bearing and are normally settled on 30-day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. Please refer to note 19 for details of Related Party terms and conditions.

16 Issued Capital and Reserves

	2016 $	2016 No. of shares	2015 $	2015 No. of shares
Ordinary Shares:				
Issued and fully paid	18,756,456	307,404,406	18,246,735	176,717,198
Movement in ordinary shares on the issue:				
At 1 July	18,246,735	176,717,198	17,477,333	156,715,193
Listed Options Exercised @ $0.20 per share	-	-	402	2,005
Issue of shares @ $0.04 per share	-	-	800,000	20,000,000
Costs of capital raised	(13,027)	-	(31,000)	-
Issue of shares @ $0.004 per share[1]	289,787	72,446,835	-	-
Issue of shares @ $0.004 per share[2]	232,961	58,240,373	-	-
At 30 June	18,756,456	307,404,406	18,246,735	176,717,198

The shares do not have a par value.

During the 2016 financial year the following events affected the Company's issued capital:

1. 54,979,000 SPX shares were issued to related parties for Subordinated Directors' Fees and 17,467,835 shares were issued in relation to consulting fees.
2. A Rights Issue of 58,240,373 shares was completed at a price of $0.004 per share.

Options Reserve:	2016		2015	
Movement in listed options (SPXO):	$	No. of Options	$	No. of Options
At 1 July	-	-	-	62,558,755
Options exercised	-	-	-	(2,005)
Options Expired	-	-	-	(62,556,750)
At 30 June	-	-	-	-

No options were granted during the year ending 30 June 2016.

During the financial year ended 30 June 2015, 2,005 options were exercised at a price of $0.20 per share. The balance of 62,556,750 options expired unexercised on the expiry date 15 August, 2014.

Nature and purpose of Option Reserve:

The options reserve records movements in all options.

17 Commitments

Tenement commitments:

The Company has minimum expenditure commitments of $40,000 per annum relating to existing granted tenements.

There is a further $86,000 per annum in minimum expenditure on tenements applied for, but not yet granted. The timing of the granting of these tenements is unknown and will vary significantly depending on native title meetings.

The commitments contracted for at reporting date, but not provided for:	2016 $	2015 $
Within one year:		
- Exploration Licences (granted)	40,000	157,500
- Exploration Licence Applications (not granted)	86,000	430,469
After one year but not more than five years:		
- Exploration Licences (granted)	40,000	157,500
- Exploration Licence Applications (not granted)	86,000	430,469
Longer than five years	-	-
	252,000	1,175,938

17 COMMITMENTS *(Cont'd)*

The Company's mining tenements may be subject to native title applications in the future. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Company. Other than the above, the Directors of Spectrum Rare Earths Limited consider that there are no other material contingencies or commitments outstanding as at 30 June, 2016.

18 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at 30 June 2016 (2015: Nil).

19 RELATED PARTY DISCLOSURE

(a) Remuneration of Key Management Personnel

Components of key management personnel compensation included in 'directors' remuneration' is as follows:	**2016** **$**	**2015** **$**
Short-term employee benefits	144,147	310,727
Fees for other services provided	35,000	-
Post-employment benefits	3,800	11,779
Total compensation included in directors' remuneration	182,947	322,506
Components of key management personnel compensation	182,947	322,506
Reconciliation to total recorded Profit or Loss 'directors' remuneration expense':		
Reversal of annual leave accrued, paid out on resignation	-	(57,887)
Reversal of annual leave accrued, paid out on resignation	-	(24,657)
Transfer of salaries capitalised to exploration & evaluation expenditure	-	(12,117)
	182,947	227,845

(b) Key Management Personnel Transactions

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year exclusive of GST:

Related Party	Year	Purchases from related parties $	Sales to related parties $	Amount owed by related parties $	Amounts owed to related parties $
A J Moyle & Associates Pty Ltd	2016	35,000		-	-
	2015	-		-	-
Boden Corporate Services Pty Ltd	2016	53,438		-	2,386
	2015	63,727		-	933
King River Copper Ltd	2016	-	36,818	-	-
	2015	-	-	-	-

Related party payables are non-interest bearing and are normally settled on 30-day terms.

A J Moyle & Associates Pty Ltd
The Company has entered into an agreement with A J Moyle & Associates, a company related to Mr Alexander Moyle, for the provision of geological consulting services.

Boden Corporate Services Pty Ltd
The Company has engaged the services of Boden Corporate Services, a company related to Mr Graeme Boden, for the provision of company secretarial and accounting services. This contract is for a period of two years, and can be terminated on three months notice, with fees to be charged in accordance with normal charge out rates for Mr Boden and other employees of the service company, including joint secretary, Ms Natasha Forde.

King River Copper Ltd
During the year King River Copper Ltd, a company related to Mr Anthony Barton and Mr Leonid Charuckyj, agreed to purchase various fixed assets held by the company which have been in storage since November 2014. The purchase of these assets was overseen by independent director Mr Alexander Moyle.

20 SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity, in future financial years, other than:

- The wholly owned subsidiary, Carpentaria Minerals Pty Ltd was deregistered on 31 July 2016.

21 AUDITORS' REMUNERATION

	2016 $	2015 $
Amounts received or due and receivable for:		
Audit of the financial report	14,000	14,000
Half-year review	7,400	7,050
	21,400	21,050

The auditor of Spectrum Rare Earths Limited is William Buck Audit (WA) Pty Ltd.

22 SUBSIDIARIES

Details of the Consolidated Entity's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Consolidated Entity 30 June 2016	30 June 2015
Carpentaria Minerals Pty Ltd	Mining	Australia	100%	100%

i) Spectrum Rare Earths Limited is the head entity.
ii) Carpentaria Minerals Pty Ltd was deregistered on 31 July 2016.

23 SALE OF SUBSIDIARY

Threeways Resources Pty Ltd

On 19 January, 2015 Spectrum Rare Earths agreed to sell its wholly owned subsidiary, Threeways Resources Pty Ltd to Ian Bamborough. Threeways Resources held no assets or liabilities at the time of the sale.

(a) Consideration

The agreed consideration for the acquisition was A$1 received on 30 January, 2015 (non-refundable).

(b) Gain on disposal

The transaction resulted in no gain or loss on disposal. The interest in the subsidiary was sold at the carrying value.

	2015 $
Consideration received	1
Less:	
Carrying value investment	(1)
Gain on disposal	-

24 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 with the exception of investments in subsidiaries.

	2016	2015
Financial performance:	**$**	**$**
Loss for the year	(2,467,941)	(4,177,975)
Other Comprehensive Income	-	-
Total Comprehensive Income / Loss for the year	(2,467,941)	(4,177,975)
Financial position:		
ASSETS		
Current Assets	314,797	226,970
Non-Current Assets	30,001	2,128,940
TOTAL ASSETS	344,797	2,355,910
LIABILITIES		
Current Liabilities	152,196	303,670
Non-Current Liabilities	-	-
TOTAL LIABILITIES	152,196	303,670
EQUITY		
Issued capital	18,756,456	18,246,735
Retained earnings	(18,563,855)	(16,194,495)
TOTAL EQUITY	192,601	2,052,240

Directors' Declaration

In accordance with a resolution of the directors of Spectrum Rare Earths Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

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

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

(iii) the financial statements and notes thereto are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2 to the financial statements.

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

The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June, 2016 by the CEO and CFO.

On behalf of the Board

____

Anthony Barton
Non-Executive Chairman
28 September, 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECTRUM RARE EARTHS LIMITED AND CONTROLLED ENTITY

Report on the Financial Report

We have audited the accompanying consolidated financial report of Spectrum Rare Earths Limited (the Company) and the entity it controlled at year's end or from time to time during the financial year (the consolidated entity) on pages 12 to 35. The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

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William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECTRUM RARE EARTHS LIMITED AND CONTROLLED ENTITY (CONT)

Auditor's Opinion

In our opinion:

a) the financial report of the consolidated entity on pages 12 to 35 is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 2(b) of the financial report which indicates that the consolidated entity incurred a net loss of $2,028,841 and experienced net cash outflows from operating and investing activities of $198,048 for the year ended 30 June 2016. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 7 to 9 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Spectrum Rare Earths Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

Robin Judd
Director
Dated this 28th day of September, 2016

ASX Additional Information

Quoted Securities

The security holders' information set out below was applicable as at 20 September, 2016.

(i) Distribution of Security Numbers

	Ordinary Shares	
Category (size of holding)	**Shareholders**	**Shares**
1 – 1,000	97	24,238
1,001 – 5,000	177	537,232
5,001 – 10,000	136	1,178,163
10,001 – 100,000	435	18,268,177
100,001 and over	230	287,396,596
Total	**1,075**	**307,404,406**

There are 764 shareholders holding less than a marketable parcel at a price of $0.007, totalling 12,558,335 shares.

(ii) Voting Rights

On a show of hands every person present who is a member or a proxy, attorney or representative of a member has one vote and upon a poll every person present who is a member or a proxy, attorney or representative of a member shall have one vote for each share held. There are no voting rights attached to the quoted options.

(iii) Twenty Largest Security Holders

The names of the twenty largest holders of ordinary shares are listed below:

Name	Number of Ordinary Shares	% of Issued Capital
WIDETOP MINING INVESTMENTS PTY LTD	46,709,750	15.19
UNIVERSAL OIL AUSTRALIA PTY LTD	22,444,250	7.30
LEONID CHARUCKYJ	18,155,000	5.91
AUST HERITAGE GROUP PTY LTD	10,038,588	3.27
IAN M P + C S PARKER	9,715,208	3.16
STANLEY RESOURCES PTY LTD	8,287,500	2.70
AUST HERITAGE GROUP PTY LTD	6,581,352	2.14
OCCASIO HOLDINGS PTY LTD	5,000,000	1.63
ALEXANDER JAMES MOYLE	5,000,000	1.63
ARIANE HAROLD	5,000,000	1.63
NORVEST PROJECTS PTY LTD	4,994,335	1.62
L & E FISHER NOM PTY LTD	4,500,000	1.46
DOMINIC HAROLD BYRNE	4,000,020	1.30
L & E FISHER NOM PTY LTD	3,862,754	1.26
M & K KORKIDAS PTY LTD	3,787,695	1.23
GREATSIDE HOLDINGS PTY LTD	3,500,000	1.14
INGLEWOOD LODGE PTY LTD	3,400,000	1.11
BARTON + BARTON PTY LTD	3,000,000	0.98
SHARON ALICE + K D JOHNS	2,971,677	0.97
ROMANNA PTY LTD	2,808,286	0.91
Total	**173,756,415**	**56.54**

(iv) Substantial Shareholders

The names of the substantial shareholders listed in the Company's share register as at 20 September, 2016 were:

Name	Number of Ordinary Shares	% of Issued Capital
Anthony Barton and Associates	50,923,312	16.57
Widetop Mining Investments Pty Ltd	46,709,750	15.19
Total	**97,633,062**	**31.76**

(v) On market buy back

There is no on-market buy-back scheme in operation for the Company's listed shares.