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**ABN 68 125 32 3 622**

**Annual Financial Statement  
For The Year Ended 30 June 2014**

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**Corporate Directory**

**Directors**

|                  |                        |
|------------------|------------------------|
| Jian-Hua Sang    | Non-Executive Chairman |
| Sai Kit Wong     | Non-Executive Director |
| Wolfgang Fischer | Non-Executive Director |
| Faldi Ismail     | Non-Executive Director |

**Company Secretary**

Patrick Burke

**Principal and Registered Office**

108 Outram Street  
West Perth WA 6005  
Web [www.emergentresources.com.au](http://www.emergentresources.com.au)

**Auditor**

Grant Thornton Audit Pty Ltd  
Level 1, 10 Kings Park Road  
West Perth, Western Australia 6005

**Share Registry**

Computershare Investor Services Pty Ltd  
Level 2, 45 St George's Terrace  
Perth WA 6000

**Stock Exchange Listing**

The Company's shares are quoted on the Australian Securities Exchange. The home exchange is Perth, Western Australia.

**ASX Code**

EMG – Ordinary shares

**Company Information**

The Company was incorporated and registered under the Corporations Act 2001 in Western Australia on 9 May 2007 and became a public company on 4 August 2008.

The Company is domiciled in Australia.

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**CHAIRMAN'S LETTER**

Dear Shareholders

On behalf of the Board of Emergent Resources Limited (Emergent or Company) I am pleased to present the Company's 2014 Annual Report.

The Company has continued to develop its core Beyondie Iron Ore and Extension Gold Projects, and was particularly pleased to announce on the 18 February 2014 a 27% increase in the Inferred Mineral Resource at Beyondie to 714Mt grading 27.4% Fe at relatively shallow depth, with low deleterious impurities of P, S and Al<sub>2</sub>O<sub>3</sub>.

At the appropriate time, the Company intends to carry out further exploration with a view to increasing this Inferred Mineral Resource. Drilling shows magnetite mineralisation continues along strike to the west. A Reverse Circulation drill program is proposed to extend the resource a minimum of 400m west. The proposed RC program will target section 27 400mE with holes designed to intersect both main mineralisation zones twice on that section.

In addition, the Company has continued to allocate part of its working capital budget to the identification and evaluation of new mineral resource opportunities in Australia and overseas. In this regard, the Company actively reviewed a large number of projects across a range of commodities and countries and is confident of securing a project in the near term that has the potential to add significant shareholder value.

In May 2014 the Company welcomed Mr Faldi Ismail as a Director of the Company. With significant cross-border experience and having advised on numerous transactions, including structuring of acquisitions and joint ventures across a range of sectors, Mr Ismail brings critical expertise to the Company in terms of both the development of the Company's existing assets and the identification and evaluation of new opportunities in Australia and overseas.

In addition to the strength of its asset base and technical expertise, the Company's cash position remains very strong.

The Board considers this a very exciting time for the Company and is looking forward to both developing its existing Projects and growing the Company through investment and acquisition.

Thank you for your continued support.

Sincerely



Jian Hua Sang  
Non-Executive Chairman

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## REVIEW OF OPERATIONS

During the financial year the Company continued to evaluate opportunities within its current acreage portfolio and seek new opportunities both locally and abroad.

The Company continued to develop its core Beyondie Iron Ore and Extension Gold Projects, announcing a 27% increase in the Inferred Mineral Resource at Beyondie to 714Mt grading 27.4% Fe at relatively shallow depth, with low deleterious impurities of P, S and Al<sub>2</sub>O<sub>3</sub>.

During the financial year the Company's Managing Director, Dr Andrew Tunks, resigned to pursue other opportunities. The Board thanks Dr Tunks for his service to the Company in his work in developing the existing assets and the search for new opportunities. Mr Patrick Burke also stepped down from the Board, but has retained an active role in the Company as Company Secretary.

The Company subsequently added to the strength of its Board with the appointment of Mr Faldi Ismail. Mr Ismail brings a wealth of cross-border experience, having advised on numerous transactions, including structuring of acquisitions and joint ventures across a range of sectors. Mr Ismail brings critical expertise to the Company in terms of both the development of the Company's existing assets and the identification and evaluation of new opportunities in Australia and overseas. The Company has not filled the role of Managing Director since Dr Tunk's departure, however all Directors are actively involved in the development of the Company and it is not considered that a Managing Director is required at this time.

In addition to its cash reserves, the Company has the continued support of its two major Chinese shareholders, International Natural Resources and Advanced Endeavour Enterprises Limited, who have confirmed their interest in possible additional financial backing for any investment or acquisition made by the Company. This has greatly expanded the range of projects under consideration by the Company.

The Company considers that its combination of corporate and technical expertise and significant financial backing makes it ideally placed to grow through investment and acquisition and the development of its existing assets.

### **BEYONDIE IRON PROJECT**

#### **E52/1806 and E52/2215 (EMG: 80% Iron Ore, Vanadium and Manganese)**

The Beyondie Iron Project is located adjacent to the Great Northern Highway and Goldfields Gas Pipeline in the northern part of WA's mid-west iron ore precinct.

#### **Beyondie – Inferred Mineral Resource on E52/1806**

During the reporting period the Company announced a 27% increase in the Inferred Mineral Resource to 714Mt grading 27.4% Fe at a zero cut-off grade on at relatively shallow depth, with low deleterious impurities of P, S and Al<sub>2</sub>O<sub>3</sub>. The updated Inferred Mineral Resource at Beyondie in accordance with JORC Code 2012 is set out in Table 1 and Figure 1.

The increase is a result of the inclusion of additional drilling, extending the Inferred Mineral Resource 400m to the East, and increasing confidence in mineralisation in several areas within the resource area.

The updated Inferred Mineral Resource at Beyondie in accordance with JORC Code 2012 is set out in Table 1 and Figure 1.

The Inferred Mineral Resource is reported without a Fe cut-off grade, however drilling results are remarkably consistent within the wide Beyondie Magnetite Schist (BMS) units and a nominal 20% Fe was used to define the mineralised zones. Mineralisation occurs within magnetite schist in two main

mineralised lodes (BMS1 and BMS2), and a third less substantial lode (BMS3), which all dip from between 40–55° to the north, with the average dip around 45° (Figure 2). The head grade chemistry of these lodes is generally consistent along the entire strike length.

The drillhole database included data from five drill campaigns, comprising a total of 91 reverse circulation (RC) drillholes and 30 diamond core (DD) drillholes. RC drill rigs were fitted with either a riffle splitter or cone splitter which produced a 3–5 kg sub-sample for every metre drilled for submission to the laboratory. DD was sampled by sawing in half lengthways, and then one half into quarter lengthways producing a 3–5 kg sub-sample for submission to the laboratory. Samples were sent to Spectrolab in Geraldton for analysis by X-Ray Fluorescence (XRF) for the elemental suite; Fe<sub>2</sub>O<sub>3</sub>, Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, TiO<sub>2</sub>, CaO, Mn, P, S, MgO, K<sub>2</sub>O, and Na<sub>2</sub>O.

**Table 1 Statement of Inferred Mineral Resources – Head Grade Mineralisation (DOMAINS 1–3)**

| INFERRED RESOURCE ESTIMATE (Whole Rock Head Grades) |                |             |                      |             |                                    |             |             |             |             |             |
|---|----------------|-------------|----------------------|-------------|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Domain  | Million Tonnes | Fe (%)      | SiO <sub>2</sub> (%) | P (%)       | Al <sub>2</sub> O <sub>3</sub> (%) | CaO (%)     | S (%)       | MnO (%)     | LOI (%)     | Density     |
| BMS 1   | 147            | 27.5        | 46.5                 | 0.28        | 3.42                               | 1.12        | 0.08        | 0.50        | 4.58        | 2.86        |
| BMS 2   | 553            | 27.5        | 50.4                 | 0.06        | 4.30                               | 0.24        | 0.01        | 0.27        | 2.09        | 3.21        |
| BMS 3   | 14             | 19.6        | 53.2                 | 0.06        | 7.31                               | 0.23        | 0.01        | 0.28        | 5.90        | 2.91        |
| <b>TOTAL</b>  | <b>714</b>     | <b>27.4</b> | <b>49.6</b>          | <b>0.11</b> | <b>4.18</b>                        | <b>0.42</b> | <b>0.02</b> | <b>0.32</b> | <b>2.68</b> | <b>3.13</b> |

The database comprised 7,811 Fe% assay data and, new to the dataset, 558 Davis Tube Recovery (DTR) data with associated concentrate assays. Minimum drill spacing of 400 m x 100 m (between section and on section respectively) was required for material to be included as part of the Inferred Mineral Resource. A distance weighted method (ID<sup>2</sup>) was used for the estimation.

**Beyondie – Exploration Target on E52/1806**

A revised Exploration Target was calculated adjacent to the Inferred Mineral Resource and is in the range 420-460 Mt at 26.5-28.0% Fe (Table 2 and Figure 1). The tonnage and grade ranges were estimated using the same data and method as for the Inferred Mineral Resource. While this drilling demonstrates the continued presence of the BMS units, and assay data confirms mineralisation, the holes are considered to be too widely spaced between section, or of insufficient depth on several sections to provide sufficient confidence in the geological interpretation to classify the mineralisation as Inferred Mineral Resource (khaki area in Figure 1). As such, the potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource, and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

**Proposed work program**

At the appropriate time, the Company intends to focus on increasing the 714 Mt Inferred Mineral Resource. Drilling clearly shows magnetite mineralisation continues along strike to the west. A RC drill program is proposed to extend the resource a minimum of 400m west. The proposed RC program will target section 27 400mE with holes designed to intersect both main mineralisation zones twice on the section.

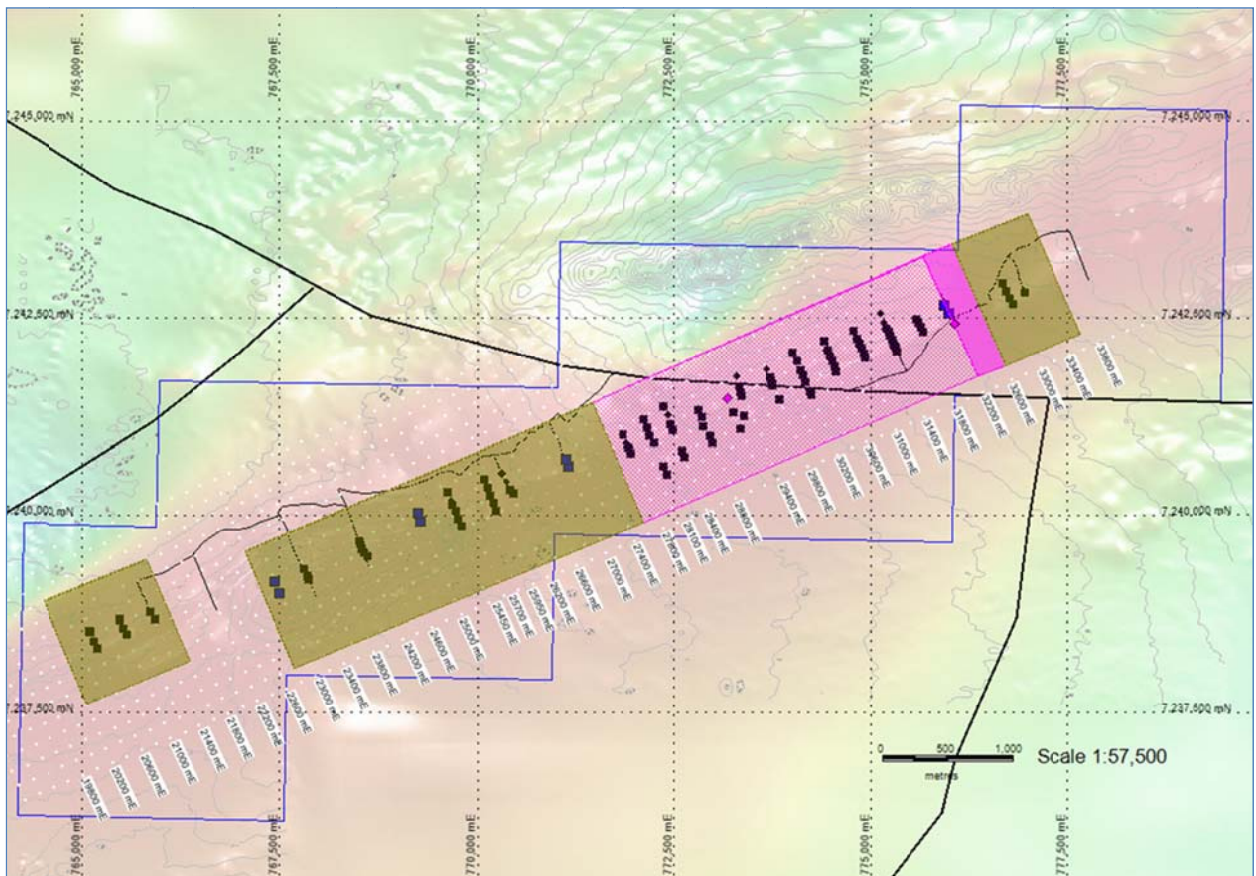
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**Table 2 Statement of Exploration Target on E52/1806 – Head Grade Mineralisation (DOMAINS 1–3)**

| EXPLORATION TARGET ESTIMATE (Whole Rock Head Grades) |                |             |                      |             |                                    |             |             |             |             |             |
|--|----------------|-------------|----------------------|-------------|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Domain   | Million Tonnes | Fe (%)      | SiO <sub>2</sub> (%) | P (%)       | Al <sub>2</sub> O <sub>3</sub> (%) | CaO (%)     | S (%)       | MnO (%)     | LOI (%)     | Density     |
| BMS 1  | 142            | 30.1        | 46.2                 | 0.17        | 2.69                               | 0.76        | 0.07        | 0.28        | 3.70        | 3.17        |
| BMS 2  | 250            | 26.5        | 51.2                 | 0.05        | 4.55                               | 0.29        | 0.01        | 0.23        | 2.90        | 3.11        |
| BMS 3  | 48             | 23.6        | 48.6                 | 0.18        | 6.83                               | 0.52        | 0.01        | 0.12        | 6.24        | 2.91        |
| <b>TOTAL</b>   | <b>440</b>     | <b>27.2</b> | <b>50.1</b>          | <b>0.08</b> | <b>4.21</b>                        | <b>0.39</b> | <b>0.02</b> | <b>0.24</b> | <b>3.13</b> | <b>3.12</b> |

**Beyondie – Exploration Target on E52/2215**

The Company previously delineated an Exploration Target of 3.7 to 4.2 billion tonnes grading 27.0 to 28.5% Fe on tenement E52/2215. The potential quantity and grade of the Exploration Targets is conceptual in nature. There has been insufficient exploration to define a Mineral Resource, and it is uncertain if further exploration will result in the determination of a Mineral Resource.



**Figure 1:** Beyondie drill plan of E52/1806. Inferred Mineral Resource area shown in pink and area of Exploration Target shown in khaki.

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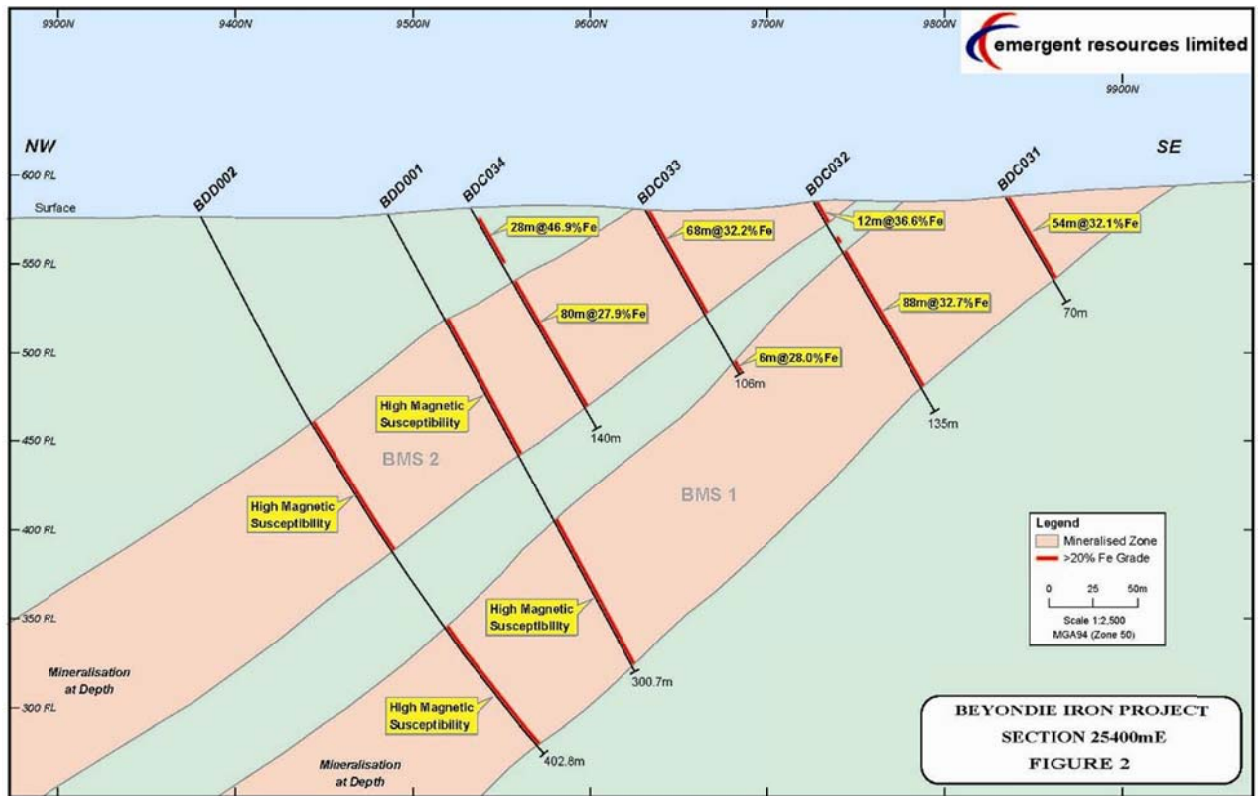


Figure 2: Beyondie local drill section 25,400 m E (located on Figure 1).

**EXTENSION GOLD PROJECT  
 E52/2559 (100% EMG)**

The northeast-trending Plutonic Well Greenstone Belt (Plutonic Belt) is the sixth largest gold region in Western Australia. The gold resources identified are at least 7Moz's, belonging to the Marymia and Plutonic Gold mines. Emergent holds EL 52/2559 at the northern end of the belt which has produced some 6 Moz's of gold since the 1990's.

Unlike southern parts of the Plutonic Belt, this northern extension has not been subject to significantly systematic or modern exploration since the early 1990's, and lies under sand cover or shallow sediments associated with the Earahedy and Collier Basins. Outcrop of the underlying greenstone is limited. Consequently, historic exploration in the area has been largely inadequate and has left gold targets untested with significant scope to explore using modern exploration techniques.

Emergent has previously completed Mobile Metal Ion (MMI) soil sampling and stream sediment sampling respectively on its Extension Prospect.

The Company intends in due course to conduct a targeted drilling program to test gold in soil Mobile Metal Ions (MMI) anomalies generated by previous exploration conducted on its Extension Gold Project. The gold anomalies are coincident with mineralisation intersected in previous drilling of a major shear zone close to a mafic-granite contact which is prospective for gold mineralisation.

Following preparatory works, the drilling program will comprise 800-1,000 metres of RC drilling, allowing the program to test structures at depth and across lithologies. The program will consist of 3 drilling sections to investigate the shear zone in the areas of highest MMI anomalism. Final planning for the holes is yet to be completed but it is expected that the first hole will target the up-dip expression of an 8m at 5.3g/t Au intercept in GCM hole MD5. Timing on when this program will occur has yet to be determined.

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**ASSET REVIEW**

During the reporting period, as part of a regular process, the Company's assets were reviewed. As a result of this asset review the decision was taken to relinquish the Extension North Project and the non-prospective areas of the Beyondie Iron Project and the Extension Gold Project.

**Summary of the Company's Tenement Information**

| <b>Tenement</b> | <b>Registered Holder</b> | <b>Company's Interest</b>           | <b>Area</b>   |
|-----------------|--------------------------|-------------------------------------|---|
| E52/1806        | De Grey Mining Ltd       | 80% (Iron Ore, Vanadium, Manganese) | 59 km <sup>2</sup> 19 blocks (reduced from 70 blocks on 01/08/13)   |
| E52/2215        | De Grey Mining Ltd       | 80% (Iron Ore, Vanadium, Manganese) | 142 km <sup>2</sup> 46 blocks (reduced from 200 blocks on 01/08/13) |
| E52/2559        | Company                  | 100%                                | 87 km <sup>2</sup> 28 blocks (reduced from 57 blocks on 24/01/14)   |

*Competent Persons Statement*

*The Information in this report that relates to Mineral Resources, Exploration Targets and Exploration Results on E52/1806 is extracted from ASX announcement "Addendum Substantial Increase to Inferred Magnetite Resource" released on 19 February 2014 and is available on [www.emergentresources.com.au](http://www.emergentresources.com.au). The Company is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company confirms that the form and content in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*

*The Information in this report that relates to Exploration Targets and Exploration Results on E52/2215 is extracted from ASX announcement "3.7 to 4.2 Billion Tonne Exploration Target at Beyondie" released on 19 November 2009 and is available on [www.emergentresources.com.au](http://www.emergentresources.com.au). The Company is not aware of any new information or data that materially affects the information included in the original market announcement. Emergent Resources continues to report exploration results as defined under the 2004 edition of the JORC Code where those results were initially reported prior to adoption of the 2012 JORC Code on the basis that the information has not materially changed since it was last reported.*

*Other information in this report that relates to Exploration Results has been prepared under the supervision of Mr Peter Sheehan, Principal Consultant with Newport Mining Services, and a member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Sheehan has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code), and consents to the inclusion in this report of the Information, in the form and context in which it appears.*

**MINERAL RESOURCES and ORE RESERVES (MROR) STATEMENT**

The Company updated its Inferred Mineral Resources in January 2014, resulting in a 27% increase in tonnes to 714Mt with negligible effect on grade at 27.4% Fe (zero cut-off grade). Subsequent to this it conducted an annual review of its MROR statement on 30 June 2014 (Table 3). A comparison to previously stated Inferred Mineral Resources can be seen in Table 4.

**Table 3 Mineral Resource Estimate for Beyondie Iron Project - E52/1806 (EMG 80%).**

| INFERRED RESOURCE ESTIMATE - E52/1806 |                |             |                      |             |                                    |             |             |             |             |             |
|---------------------------------------|----------------|-------------|----------------------|-------------|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Domain                                | Million Tonnes | Fe (%)      | SiO <sub>2</sub> (%) | P (%)       | Al <sub>2</sub> O <sub>3</sub> (%) | CaO (%)     | S (%)       | MnO (%)     | LOI (%)     | Density     |
| BMS 1                                 | 147            | 27.5        | 46.5                 | 0.28        | 3.42                               | 1.12        | 0.08        | 0.50        | 4.58        | 2.86        |
| BMS 2                                 | 553            | 27.5        | 50.4                 | 0.06        | 4.30                               | 0.24        | 0.01        | 0.27        | 2.09        | 3.21        |
| BMS 3                                 | 14             | 19.6        | 53.2                 | 0.06        | 7.31                               | 0.23        | 0.01        | 0.28        | 5.90        | 2.91        |
| <b>TOTAL</b>                          | <b>714</b>     | <b>27.4</b> | <b>49.6</b>          | <b>0.11</b> | <b>4.18</b>                        | <b>0.42</b> | <b>0.02</b> | <b>0.32</b> | <b>2.68</b> | <b>3.13</b> |

**Table 4 Year-on-Year comparison of Mineral Resource Estimate – E52/1806 (EMG 80%).**

| INFERRED RESOURCE ESTIMATE - E52/1806 |                |             |                      |              |                                    |              |             |              |              |              |
|---------------------------------------|----------------|-------------|----------------------|--------------|------------------------------------|--------------|-------------|--------------|--------------|--------------|
| Year                                  | Million Tonnes | Fe (%)      | SiO <sub>2</sub> (%) | P (%)        | Al <sub>2</sub> O <sub>3</sub> (%) | CaO (%)      | S (%)       | MnO (%)      | LOI (%)      | Density      |
| 2013                                  | 561            | 27.5        | 49.9                 | 0.10         | 4.05                               | 0.38         | 0.02        | 0.30         | 2.51         | 3.15         |
| 2014                                  | 714            | 27.4        | 49.6                 | 0.11         | 4.18                               | 0.42         | 0.02        | 0.32         | 2.68         | 3.13         |
| <b>VARIANCE</b>                       | <b>+153</b>    | <b>-0.1</b> | <b>+0.3</b>          | <b>+0.01</b> | <b>+0.13</b>                       | <b>+0.04</b> | <b>0.00</b> | <b>+0.02</b> | <b>+0.17</b> | <b>_0.02</b> |

*Competent Persons Statement*

*Information in this section of the report that relates to Mineral Resources was compiled by Ms Sharron Sylvester who is a Member of the Australasian Institute of Geoscientists (RPGEO 10125) and a full-time employee of OreWin Pty Ltd. The information is based on, and fairly represents, information and supporting documentation prepared by Ms Sylvester. Ms Sylvester has sufficient experience relevant to the styles of mineralisation and to the activities which are being reported to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code), and consents to the release of the information compiled in this report in the form and context in which it appears.*

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## CORPORATE GOVERNANCE STATEMENT

### Introduction

Since the introduction of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines" or "the Recommendations"), the Company has sought to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company, the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.emergentresources.com.au](http://www.emergentresources.com.au). In accordance with the recommendations of the ASX, information published on the Company's website includes:

- Audit Committee Charter
- Board Charter
- Code of Conduct for Directors, Senior Executive & Employees
- Continuous Disclosure Policy
- Directors Disclosure Obligations
- Diversity Policy
- Environmental Policy
- Ethics and Conduct Policy
- Remuneration Committee Charter
- Risk Management Statement
- Securities Trading Policy
- Shareholder Communications Policy

### Explanation for Departures from Best Practice Recommendations

During the 2014 financial year the Company has complied with the Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("Corporate Governance Principles and Recommendations")<sup>i</sup> and has adopted the revised Principles and Recommendations taking effect from reporting periods beginning on or after 1 January 2008. Significant policies and details of any significant deviations from the principles are specified below.

#### ***Corporate Governance Council Recommendation 1***

#### ***Lay Solid Foundations for Management and Oversight***

##### **Role of the Board of Directors**

The role of the Board is to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and to ensure the Company is properly managed.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors.

***Corporate Governance Council Recommendation 1 (continued)***  
***Lay Solid Foundations for Management and Oversight***

In complying with Recommendation 1.1 of the Corporate Governance Council, the Company has adopted a Board Charter which defines the role of the Board and assists in decision making processes. A copy of the Board Charter is available on the Company's website.

**Board Processes**

An agenda for Board meetings is determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Chairman, the Non-Executive Directors and the Company Secretary.

**Evaluation of Senior Executive Performance**

The Company has not complied with Recommendation 1.2 of the Corporate Governance Council. The Board qualitatively assesses the performance of the Non-Executive Directors on a regular basis. Because of the early stage of development of the Company it is difficult for quantitative measures of performance to be established. As the Company progresses its projects, the Board intends to establish appropriate formal, quantitative and qualitative performance evaluation procedures.

***Corporate Governance Council Recommendation 2***  
***Structure the Board to Add Value***

**Board Composition**

The Constitution of the Company provides that the number of Directors shall not be less than three. There is no requirement for any shareholding qualification.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the Company, intellectual ability to contribute to Board discussions and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and are subject to re-election by shareholders at the next general meeting. In any event a minimum of one third of the Directors are subject to re-election by shareholders at each general meeting.

The Board currently comprises four members, a Non-Executive Chairman, three Non-Executive Directors. The Non-Executive Chairman is Mr Sang with Mr Fischer, Mr Ismail and Mr Wong as the Non-Executive Directors. The skills, experience and expertise of all Directors is set out in the Directors' Report.

The Board has assessed the independence of its Non-Executive Directors according to the definition contained within the ASX Corporate Governance Guidelines and has concluded that at the date of this report two of the current Non-Executive Directors being Mr Fischer and Mr Ismail meet the recommended independence criteria. Mr Sang and Mr Wong are not considered independent as they associated with substantial shareholders of the Company. As a result the Company is not in compliance with Recommendation 2.1 of the Corporate Governance Council at this time.

***Corporate Governance Council Recommendation 2 (continued)***  
**Structure the Board to Add Value**

**Independent Chairman**

The Chairman Mr Sang is not an independent director and as such Recommendation 2.2 of the Corporate Governance Council has not been complied with.

**Roles of Chairman and Chief Executive Officer**

The role of Chairman was exercised by Mr Sang during the financial year. The Company did not have a Chief Executive Officer during the financial year.

**Nomination Committee**

The Board does not have a separate Nomination Committee comprising of a majority of independent Directors and as such does not comply with Recommendation 2.4 of the Corporate Governance Council. The selection and appointment process for Directors is carried out by the full Board. The Board considers that given the importance of Board composition it is appropriate that all members of the Board partake in such decision making. The Company does not have a Nomination Committee Charter.

**Evaluation of Board Performance**

The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 2.5 of the Corporate Governance Council. The Chairman regularly assesses the performance of the Board and individual Directors on qualitative basis.

**Education**

All Directors are encouraged to attend professional education courses relevant to their roles.

**Independent Professional Advice and Access to Information**

Each Director has the right to access all relevant information in respect of the Company and to make appropriate enquiries of senior management. Each Director has the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld or delayed.

***Corporate Governance Council Recommendation 3***  
**Promote Ethical and Responsible Decision Making**

The Board actively promotes ethical and responsible decision making.

**Code of Conduct**

The Board has adopted a Code of Conduct that applies to all employees, executives and Directors of the Company, and as such complies with Recommendation 3.1 of the Corporate Governance Council. This Code addresses expectations for conduct in accordance with legal requirements and agreed ethical standards. A copy of the Code is available on the Company's website.

**Corporate Governance Council Recommendation 3 (continued)**  
**Promote Ethical and Responsible Decision Making**

**Guidelines for Trading in Company Securities**

The Board has committed to ensuring that the Company, its Directors and executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. The Board has adopted a procedure on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information.

The guidelines also provide that the acknowledgement of the Chairman or the Board should be obtained prior to trading. In the case of a Director, acknowledgement from the entire Board must be obtained prior to trading. A summary of the Guidelines are available on the Company's website.

The Company's policy restricts, notwithstanding exceptional circumstances, the trading in Company's securities by those individuals covered by the policy to trading windows that are open for 10 days commencing 24 hours following the hosting of General Meetings of the Company, the release of annual, half yearly results and quarterly reports and after any other public announcement on the ASX.

**Diversity**

The Board has adopted a diversity policy that details the purpose of the policy and the employee selection and appointment guidelines, consistent with the recommendations of the Corporate Governance Council. The Board believes that the adoption of an efficient diversity policy has the effect of broadening the employee recruitment pool, supporting employee retention, including different perspectives and is socially and economically responsible governance practice. The Company currently has no full time employees.

The Company, in keeping with the recommendations of the Corporate Governance Council provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2014:

|   | Proportion of female / total number of persons employed |
|---|---|
| Females employed in the Company as a whole          | 0 / 0   |
| Females employed in the Company in senior positions | 0 / 0   |
| Females appointed as a Director of the Company      | 0 / 4   |

The recommendations of the Corporate Governance Council relating to reporting require a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis. The Company has implemented measurable objectives as follows:

| Measurable Objective  | Objective Satisfied | Comment  |
|---|---------------------|--|
| Adoption and promotion of a Formal Diversity Policy   | Yes                 | The Company has adopted a formal diversity policy which has been made publicly available via the ASX and the Company's website.                            |
| To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy | Yes                 | The Company's selection, remuneration and promotion practices are merit based and as such are consistent with the goals of the Company's Diversity Policy. |

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**Corporate Governance Council Recommendation 3 (continued)**  
**Promote Ethical and Responsible Decision Making**

|  |     |   |
|--|-----|---|
| To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees. | Yes | The Company will, where considered reasonable, and without prejudice, accommodate requests for flexible working arrangements.   |
| To implement clear and transparent policies governing reward and recognition practices.  | Yes | The Company grants reward and promotion based on merit and responsibility as part of its annual and ongoing review processes.   |
| To provide relevant and challenging professional development and training opportunities for all employees.   | Yes | The Company seeks to continually encourage self-improvement in all employees, irrespective of seniority, ability or experience, through external and internal training courses, regular staff meetings and relevant on job mentoring. |

The Company has not implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implement requirements for a proportion of female candidates for employment and Board positions. The Board considers that the setting of quantitative gender based measurable targets is not consistent with the merit and ability based policies currently implemented by the Company.

The Board will consider the future implementation of gender based diversity measurable objectives when it is more appropriate to the size and nature of the Company's operations.

**Corporate Governance Council Recommendation 4**  
**Safeguarding Integrity in Financial Reporting**

**Audit Committee**

The Company does not have a separate Audit Committee as suggested by Recommendations 4.1, 4.2 and 4.3 of the Corporate Governance Council. The full Board currently carries out the function of an Audit Committee and believes that the Company is not of a sufficient size to warrant a separate committee and that the full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area. The Board has adopted an Audit Committee Charter that is available on the Company's website, and functions in accordance with this document.

The relevant experience of all the Board members is detailed in the Directors' section of the Directors' Report.

The Board considers the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal. Auditor rotation is as required by the Corporations Act 2001.

**Financial Reporting**

The Board relies on its Directors to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Board, and is discussed by the Board at its Board meetings.

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***Corporate Governance Council Recommendation 5***  
**Make Timely and Balanced Disclosure**

The Board reviews the performance of the external auditors on an annual basis and meets with them during the year to review findings and assist with Board recommendations.

In the absence of a formal Audit Committee the Non-Executive Directors of the Company are available for communication with the auditors of the Company.

**Continuous Disclosure**

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Securities Exchange's Listing Rules. The Company has established written policies and procedures, designed to ensure compliance with the ASX Listing Rule Requirements, in accordance with Recommendation 5.1 of the Corporate Governance Council. A copy of the Company's Disclosure Policy is available on the Company's website.

Continuous disclosure is discussed at all regular Board meetings and on an ongoing basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

In accordance with ASX Listing Rules the Company Secretary is appointed as the Company's disclosure officer.

***Corporate Governance Council Recommendation 6***  
**Respect the Rights of Shareholders**

**Communications**

The Board fully supports security holder participation at general meetings as well as ensuring that communications with security holders are effective and clear. This has been incorporated into a formal Shareholder Communication Policy, in accordance with Recommendation 6.1 of the Corporate Governance Council. A copy of the policy is available on the Company's website.

In addition to electronic communication via the ASX website, the Company publishes all significant announcements together with all quarterly reports. These documents are available in both hardcopy on request and on the Company website at [www.emergentresources.com.au](http://www.emergentresources.com.au)

Shareholders are able to pose questions on the audit process and the financial statements directly to the independent auditor who attends the Company Annual General Meeting for that purpose.

***Corporate Governance Council Recommendation 7***  
**Recognise and Manage Risk**

**Risk Management Policy**

The Board has adopted a Risk Management Policy, which is available on the Company's website that sets out a framework for a system of risk management and internal compliance and control, whereby the Board monitors the day-to-day management of risk. The Company complies with Recommendation 7.1 of the Corporate Governance Council. The Board is responsible for supervising management's framework of control and accountability systems to enable risk to be assessed and managed.



***Corporate Governance Council Recommendation 7 (continued)***  
**Recognise and manage risk**

**Risk management and the internal control system**

The Board has responsibility for identifying, assessing, treating and monitoring risks.

In order to implement the Company's Risk Management Policy, it was considered important that the Company establish an internal control regime in order to:

- Assist the Company to achieve its strategic objectives;
- Safeguard the assets and interests of the Company and its stakeholders; and
- Ensure the accuracy and integrity of external reporting.

Key identified risks to the business are monitored on an ongoing basis as follows:

- Business risk management  
The Company manages its activities within budgets and operational and strategic plans.
- Internal controls  
The Board has implemented internal control processes typical for the Company's size and stage of development. It ensures the proper functioning of internal controls and in addition it obtains advice from the external auditors as considered necessary.
- Financial reporting  
Directors approve budgets for the Company and review performance against budgets at each Board Meeting.
- Environment and safety  
The Company is committed to ensuring that sound environmental management and safety practices are maintained in its exploration activities. This is achieved by training staff and ensuring that they are aware of and follow all legislative, Company and industry standards in relation to environmental management and safety practices.

The Company's risk management strategy is evolving and its development is an ongoing process. It is recognised that the level and extent of the strategy will develop with the growth of and changes in the Company's activities.

The Company has not yet developed a formal risk management and internal control system to identify and manage material business risks.

**Risk Reporting**

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks that have been identified and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company's affairs are not of sufficient complexity to justify the implementation of a more formal system than that which is in place for identifying, assessing, monitoring and managing risk.

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***Corporate Governance Council Recommendation 7 (continued)***  
**Recognise and manage risk**

The Company does not have an internal audit function.

**Chief Executive Officer and Chief Financial Officer Written Statement**

The Board requires the Chief Executive Officer and the Chief Financial Controller, or equivalent, to provide a written statement that the financial statements of company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporation Act. The Board also requires that the Chief Executive Officer and the Chief Financial Controller, or equivalent, provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

The declarations have been received by the Board, in accordance with Recommendation 7.3 of the Corporate Governance Council.

***Corporate Governance Council Recommendation 8***  
**Remunerate Fairly and Responsibly**

**Remuneration Committee**

The Board does not have a separate Remuneration Committee and as such does not comply with Recommendation 8.1 of the Corporate Governance Council. Remuneration arrangements for Directors are determined by the full Board. The Board is also responsible for setting performance criteria, performance monitors, share option schemes, superannuation, termination and retirement entitlements, and professional indemnity and liability insurance cover.

The Board considers that the Company is effectively served by the full Board acting as a whole in remuneration matters. All matters of remuneration continue to be decided upon in accordance with Corporations Act requirements, by ensuring that no Director participates in any deliberations regarding their own remuneration or related issues.

**Distinguish Between Executive and Non-Executive Remuneration**

The Company does distinguish between the remuneration policies of its Executive and Non-Executive Directors in accordance with Recommendation 8.2 of the Corporate Governance Council.

Executive Directors may receive remuneration which may include performance based components, designed to reward and motivate, which may include the granting of share options, subject to shareholder approval and vesting conditions relating to continuity of engagement.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings. In the current financial year, no Non-Executive Director received share options as remuneration.

## DIRECTORS' REPORT

The Directors present their report on Emergent Resources Limited for the year ended 30 June 2014.

### Directors

The names and details of the Directors of Emergent Resources Limited during the financial year and until the date of this report are:

#### **Jian-Hua Sang**

##### ***Non-Executive Chairman***

Mr Jian-Hua Sang trained in China and was the first Chinese postgraduate student studying Economic Geology in Western Australia. He has more than 25 years of international exploration, mining and corporate experience in Asia, Australia and Africa. He is a Director of International Natural Resources Limited, Emergent's strategic investment partner and largest shareholder.

Directorships of other listed companies in the last three years:

Vector Resources Limited (ASX): 13 September 2012 to 28 November 2013.

Chrysalis Resources Limited (ASX): 5 July 2013 to present.

#### **Sai Kit Wong**

##### ***Non-Executive Director***

Mr Wong is a Hong Kong based lawyer. Mr Wong is admitted to practice law in Hong Kong and New York and also has Chinese legal qualifications. He has been involved in the restructuring, financing and listing of commercial enterprises in Hong Kong and mainland China as both a lawyer and executive and brings excellent legal and commercial contacts to the Company.

Mr Wong held no other directorships of other ASX listed companies in the last three years.

#### **Wolfgang Fischer BSc (Hons), FAICD, FausIMM**

##### ***Non-Executive Director***

Mr Fischer has more than 40 years of top level experience in the Australian and international natural resources industry. He has held executive management and Board positions in a range of operational and corporate roles with several large and successful international petroleum, and exploration and development companies. Mr Fischer has a strong background on corporate governance standards, and has had considerable mineral and petroleum project management experience from project start-up to production and operating joint ventures.

Mr Fischer has had no directorships of other ASX listed companies in the last three years.

#### **Mr Faldi Ismail B. Bus**

##### ***Non-Executive Director – appointed 31 May 2014***

Mr Ismail has significant experience working as a corporate advisor specialising in the restructure and recapitalisation of a wide range of ASX-listed companies. Mr Ismail has many years of investment banking experience covering a wide range of sectors, with a specific focus on the resources sector.

Mr Ismail is the founder and operator of Otsana Capital, a boutique advisory firm specialising in mergers & acquisitions, capital raisings and Initial Public Offerings (IPO's).

Directorships of other listed companies in the last three years:

Style Limited (ASX): 3 May 2013 to present

Kalimantan Gold Corporation Limited (AIM/TSX-V): 12 September 2009 to present

WHL Energy Limited (ASX): 24 September 2013 to present

Coventry Resources Ltd (ASX): 28 May 2009 to 8 January 2013

Ascot Resources Ltd (ASX): 24 September 2010 to 27 March 2013

Minbos Resources Limited (ASX):17 December 2009 to 1 January 2012

**Former Directors**

**Dr Andrew Tunks**

**Executive Director resigned 26 November 2013**

**Mr Patrick Burke**

**Non-Executive director resigned 31 May 2014**

**Company Secretary**

**Patrick Burke – appointed 1 August 2013**

Mr Burke holds a Bachelor of Laws degree from the University of Western Australia. He has approximately twenty years' experience working in law firms and companies in Australia and Europe. His expertise is in corporate, commercial and securities law with an emphasis on capital raisings and mergers and acquisitions. He contributes general corporate and legal skills along with a strong knowledge of the ASX requirements.

**Former Company Secretary**

**Kevin Hart – resigned 1 August 2013**

**Directors' Interests**

As at the date of this report the Directors' interests in shares and unlisted options of the Company are as follows:

| <b>Director</b>  | <b>Directors' Interests in Ordinary Shares</b> | <b>Directors' Interests in Ordinary Shares</b> | <b>Directors' Interests in Listed Options</b> | <b>Directors' Interests in Options that are Vested and Exercisable</b> |
|------------------|--|--|---|--|
| Jian-Hua Sang    | 40,244,609                                     | -  | -   | -  |
| Sai Kit Wong     | -  | -  | -   | -  |
| Wolfgang Fischer | 4,750,667                                      | -  | -   | -  |
| Faldi Ismail     | 5,999,462                                      | -  | -   | -  |

**Directors' Meetings**

The number of meetings of the Company's Directors held during the year ended 30 June 2014, and the number of meetings attended by each Director are as follows:

| <b>Director</b>                               | <b>Board of Directors' Meetings</b> |                 |
|---|-------------------------------------|-----------------|
|   | <b>Held during term of office</b>   | <b>Attended</b> |
| Jian-Hua Sang                                 | 10                                  | 10              |
| Sai Kit Wong                                  | 10                                  | 10              |
| Wolfgang Fischer                              | 10                                  | 10              |
| Faldi Ismail ( <i>appointed 31 May 2014</i> ) | 0                                   | 0               |
| P Burke ( <i>resigned 31 May 2014</i> )       | 10                                  | 10              |
| A Tunks ( <i>resigned 26 November 2013</i> )  | 5                                   | 5               |

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### Principal Activities

The principal activities of the Company during the financial year were exploration for iron, base metals and precious metals in Western Australia.

There were no significant changes in these activities during the financial year.

### Results of Operations

The net loss after income tax for the financial year was \$368,078 (2013: \$1,460,042). Included in the loss for the year was an impairment charge in respect of the Company's exploration assets of \$123,014 (2013: 1,080,624).

### Dividends

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

### Review of Activities

#### Exploration

The exploration activity highlights include:

#### NEW PROJECTS

- Reviewed multiple project opportunities both locally and abroad.
- The Company is focused on reshaping its project portfolio to one with the potential to more effectively deliver near term value for shareholders.
- Appointment of Director, Mr Faldi Ismail, to develop the Company's existing assets and grow the Company through strategic investment and acquisition.

#### BEYONDIE IRON PROJECT

- 27% increase in Inferred Mineral Resource to 714Mt grading 27.4% Fe at relatively shallow depth, with low deleterious impurities of P, S and Al<sub>2</sub>O<sub>3</sub>. The Company intends to carry out further exploration with a view to increasing this Inferred Mineral Resource.

A detailed review of activities is available in the section of this Annual Report titled Review of Operations.

#### Financial Position

At the end of the financial year the Company had \$2,517,454 (2013: \$2,797,344) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$4,480,333 (2013: \$4,325,509). Mineral exploration and evaluation expenditure during the year for the Company was \$286,194 (2013: \$280,088). Impairment of Capitalised mineral exploration and evaluation expenditure during the year for the Company was \$123,014 (2013: \$1,080,726).

Expenditure was principally focused on the exploration for and evaluation of iron mineralisation, precious metals and base metals in Western Australia.

### **Significant Changes in the State of Affairs**

Other than disclosed elsewhere in this report, there have been no significant changes in the state of affairs of the Company during or since the end of the financial year.

### **Options Over Unissued Capital**

#### *Unlisted Options*

All unlisted options on issue at the beginning of the financial year expired during the year. The Company did not issue any ordinary shares during the financial year on the exercise of unlisted options.

Since the end of the financial year, no unlisted options have been exercised.

As at the date of this report there are no unlisted options over unissued shares in the Company.

#### *Listed Options*

No listed options have been granted by the company during the current and previous financial year.

Since the end of the financial year no listed options have been issued (2013: Nil).

No ordinary shares were issued during the financial year on the exercise of listed options (2013: Nil).

No shares have been issued on the exercise of listed options since the end of the financial year.

As at the date of this report there are no listed options over unissued shares in the Company.

### **Matters Subsequent to the End of the Financial Year**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

### **Likely Developments and Expected Results of Operations**

The Company intends to continue to undertake appropriate exploration and evaluation expenditure thereby enabling it to maintain good title to all its prospective mineral properties until proper decisions can be made to successfully develop and exploit, sell or abandon such properties.

### **Environmental Regulation and Performance**

The Company holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

So far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

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## Remuneration Report (Audited)

The following persons were Key management personnel for Emergent Resources Limited during the financial year:

### Directors

|                  |  |
|------------------|--|
| Jian-Hua Sang    | Non-Executive Chairman                       |
| Wolfgang Fischer | Non-Executive Director                       |
| Sai Kit Wong     | Non-Executive Director                       |
| Faldi Ismail     | Non-Executive Director appointed 31 May 2014 |

### Company Secretary

|               |   |
|---------------|---|
| Patrick Burke | Company Secretary appointed 1 August 2013 |
|---------------|---|

### Former directors

|               |  |
|---------------|--|
| Patrick Burke | Non-Executive Director – resigned 31 May 2014  |
| Andrew Tunks  | Executive Director – resigned 26 November 2013 |

### *Remuneration Policy*

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the Company and Shareholder approval where required.

The Remuneration Report outlines Directors' and executive remuneration arrangements of the Company. For the purposes of this report, Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, including any Directors of the Company and the five executives receiving the highest remuneration.

During the period the Board performed the role of the Remuneration Committee. The Board is responsible for determining and reviewing the remuneration of the Directors and executives. The Board assesses the appropriateness of the nature and amount of the remuneration on a periodic basis by reference to market and industry conditions.

Fees and payment to Non-Executive Directors reflects the demands that are made on and the responsibilities of, the Directors from time to time. Total remuneration for all Non-Executive Directors was last voted on by shareholders on 30 November 2010, whereby it is not to exceed \$300,000 per annum. Non-Executive Directors do not receive bonuses. Directors' fees cover all normal Board activities.

At the date of this report the Company has not entered into any agreements with Directors or senior executives which include performance based components.

A Director may also be paid fees or other amounts as the Directors determine, if a Director performs special duties or otherwise performs duties outside the scope of the normal duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

### *Executive Employment Agreements*

The Company has not entered into any executive employment agreement during the year.

### *Share Based Remuneration*

The Company has not issue any share based remuneration during the year.

**Remuneration Report (Audited) (continued)**

*Details of Remuneration for Key Management Personnel*

During the year the Company identified the Company Directors as Key Management Personnel for which disclosure is required.

Details of the remuneration of each Key Management Personnel of the Company are as follows:

| <b>2014<br/>Key Management<br/>Personnel</b> | <b>Base<br/>Emolument<br/>\$</b> | <b>Superannuation<br/>Contributions<br/>\$</b> | <b>Other<br/>Benefits<br/>\$</b> | <b>Equity based<br/>remuneration<br/>\$</b> | <b>Total<br/>\$</b> | <b>Percentage of<br/>remuneration<br/>paid in Equity<br/>(%)</b> |
|--|----------------------------------|--|----------------------------------|---|---------------------|--|
| <b>Directors</b>                             |                                  |  |                                  |   |                     |  |
| J H Sang                                     | 36,000                           | 3,330  | -                                | -   | 39,330              | -  |
| S K Wong                                     | 36,000                           | -  | -                                | -   | 36,000              | -  |
| W Fischer                                    | 36,000                           | 3,330  | -                                | -   | 39,330              | -  |
| F Ismail (1)                                 | 3,000                            | 278  | -                                | -   | 3,278               | -  |
| P Burke (2)                                  | 58,000                           | 3,053  | 500                              | -   | 61,553              | -  |
| A Tunks (3)                                  | 55,014                           | 5,089  | -                                | -   | 60,103              | -  |
|  | <b>224,014</b>                   | <b>15,080</b>                                  | <b>500</b>                       | <b>-</b>                                    | <b>239,594</b>      | <b>-</b>   |

(1) Non-executive Director appointed on 31 May 2014.

(2) Resigned as Non-executive Director on 31 May 2014, Company Secretary for entire year.

(3) Resigned as Executive Director on 26 November 2013.

| <b>2013<br/>Key Management<br/>Personnel</b> | <b>Base<br/>Emolument<br/>\$</b> | <b>Superannuation<br/>Contributions<br/>\$</b> | <b>Other<br/>Benefits<br/>\$</b> | <b>Equity based<br/>remuneration<br/>\$</b> | <b>Total<br/>\$</b> | <b>Percentage of<br/>remuneration<br/>paid in Equity<br/>(%)</b> |
|--|----------------------------------|--|----------------------------------|---|---------------------|--|
| <b>Directors</b>                             |                                  |  |                                  |   |                     |  |
| W Fischer                                    | 42,000                           | 4,230  | -                                | 1,465                                       | 47,695              | 3.07   |
| J H Sang                                     | 28,500                           | 2,565  | -                                | -   | 31,065              | -  |
| P Burke                                      | 9,000                            | 810  | -                                | -   | 9,810               | -  |
| A Tunks                                      | 1,583                            | 146  | -                                | 1,288                                       | 3,017               | 42.69  |
| S K Wong                                     | 600                              | -  | -                                | -   | 600                 | -  |
| F De Souza                                   | 27,994                           | 2,520  | -                                | -   | 30,514              | -  |
| Nathan Lude (1)                              | 58,444                           | 5,260  | -                                | -   | 63,704              | -  |
| <b>Total</b>                                 | <b>168,121</b>                   | <b>15,531</b>                                  | <b>-</b>                         | <b>2,753</b>                                | <b>186,405</b>      |  |

(1) Resigned as a Non-Executive Director on 29 November 2012.

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**Remuneration Report (Audited) (continued)**

*Remuneration of Company Executives*

Company secretarial services are provided to the Company by Mr Patrick Burke. Company Secretary fees paid during the year to Mr Burke were \$22,000 and form part of the Remuneration table of Key Management Personnel for the year ended 30 June 2014.

*Option holdings by Key Management Personnel*

Key Management Personnel have the following interests in options over unissued shares of the Company.

| 2014<br>Name              | Balance at<br>start of the<br>year | Received<br>during the<br>year as<br>remuneration | Options<br>expired<br>during the<br>year | Options<br>exercised<br>during the<br>year | Balance at<br>the end of<br>the year | Vested<br>during<br>the year | Vested and<br>exercisable |
|---------------------------|------------------------------------|---|--|--|--------------------------------------|------------------------------|---------------------------|
| <i>Current Directors</i>  |                                    |   |  |  |                                      |                              |                           |
| W. Fischer <sup>1</sup>   | 125,000                            | -   | (125,000)                                | -  | -                                    | -                            | -                         |
| <i>Previous Directors</i> |                                    |   |  |  |                                      |                              |                           |
| A. Tunks <sup>2</sup>     | 10,000,000                         | -   | (10,000,000)                             | -  | -                                    | -                            | -                         |

1. W Fischer options expired during the period.
2. A Tunks options expired upon his resignation from the Company on 26 November 2013.

| 2013<br>Name              | Balance at<br>start of the<br>year | Received<br>during the<br>year as<br>remuneration | Options<br>expired<br>during the<br>year | Options<br>exercised<br>during the<br>year | Balance at<br>the end of<br>the year | Vested<br>during<br>the year | Vested and<br>exercisable |
|---------------------------|------------------------------------|---|--|--|--------------------------------------|------------------------------|---------------------------|
| <i>Current Directors</i>  |                                    |   |  |  |                                      |                              |                           |
| W. Fischer                | 250,000                            | -   | 125,000                                  | -  | 125,000                              | 125,000                      | 125,000                   |
| J H Sang                  | -                                  | -   | -  | -  | -                                    | -                            | -                         |
| P Burke                   | -                                  | -   | -  | -  | -                                    | -                            | -                         |
| A Tunks                   | 10,000,000                         | -   | -  | -  | 10,000,000                           | -                            | -                         |
| S K Wong                  | -                                  | -   | -  | -  | -                                    | -                            | -                         |
| <i>Previous Directors</i> |                                    |   |  |  |                                      |                              |                           |
| F. De Souza               | -                                  | -   | -  | -  | -                                    | -                            | -                         |
| N. Lude                   | -                                  | -   | -  | -  | -                                    | -                            | -                         |

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**Remuneration Report (Audited) (continued)**

*Share holdings by Key Management Personnel*

The number of shares in the Company held during the financial year by key management personnel of the Company, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

| <b>2014</b>                      | <b>Balance at start of the year<sup>1</sup></b> | <b>Received during the year on exercise of options</b> | <b>Other changes during the year</b> | <b>Balance at the end of the year<sup>1</sup></b> |
|----------------------------------|---|--|--------------------------------------|---|
| <b>Name</b>                      |   |  |                                      |   |
| <b><i>Current Directors</i></b>  |   |  |                                      |   |
| W. Fischer                       | 4,750,667                                       | -  | -                                    | 4,750,667   |
| S H Sang                         | 40,244,609                                      | -  | -                                    | 40,244,609  |
| F Ismail                         | 5,999,462                                       | -  | -                                    | 5,999,462   |
| S K Wong                         | -   | -  | -                                    | -   |
| <b><i>Previous Directors</i></b> |   |  |                                      |   |
| P Burke                          | 1,673,602                                       | -  | -                                    | 1,673,602   |

1. Shareholding information for Key Management Personnel who were not Key Management Personnel for the whole year is only for that portion of the year during which they held a key management position. For the purpose of this table, shares held at appointment are assumed to have been held at 1 July and shares held at termination are assumed to be held at 30 June, with any acquisitions or disposals prior to appointment or after termination, not shown.

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**Remuneration Report (Audited) (continued)**

*Share holdings by Key Management Personnel (continued)*

| <b>2013</b>               | <b>Balance at start of the year<sup>1</sup></b> | <b>Received during the year on exercise of options</b> | <b>Other changes during the year<sup>2</sup></b> | <b>Balance at the end of the year<sup>1</sup></b> |
|---------------------------|---|--|--|---|
| <b>Name</b>               |   |  |  |   |
| <b>Current Directors</b>  |   |  |  |   |
| <i>W. Fischer</i>         | 4,750,667                                       | -  | -  | 4,750,667   |
| <i>S H Sang</i>           | 20,244,609                                      | -  | 20,000,000                                       | 40,244,609  |
| <i>P Burke</i>            | 1,673,602                                       | -  | -  | 1,673,602   |
| <i>A Tunks</i>            | -   | -  | -  | -   |
| <i>S K Wong</i>           | -   | -  | -  | -   |
| <b>Previous Directors</b> |   |  |  |   |
| <i>F. De Souza</i>        | 786,000   | -  | -  | 786,000   |
| <i>N. Lude</i>            | 3,663,040                                       | -  | -  | 3,663,040   |

1. Shareholding information for Key Management Personnel who were not Key Management Personnel for the whole year is only for that portion of the year during which they held a key management position. For the purpose of this table, shares held at appointment are assumed to have been held at 1 July and shares held at termination are assumed to be held at 30 June, with any acquisitions or disposals prior to appointment or after termination, not shown.
2. Other changes during the year refer to shares purchased or sold during the financial year.

*Loans made to key management personnel*

No loans were made to key personnel, including personally related entities during the reporting period.

*Other transactions with key management personnel*

There were no other transactions with key management personnel, other than as disclosed in the *Remuneration Report*.

**END OF REMUNERATION REPORT**

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### Officers' Indemnities and Insurance

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement to indemnify all Directors and Officers against all indemnifiable losses or liabilities incurred by each Director or Officer in their capacities as Directors and Officers of the Company. The Company has not provided any indemnity or insurance for an auditor of the Company.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement is contained in the Annual Report.

### Non-audit Services

During the year Grant Thornton Audit Pty Ltd, the Company's auditor, has performed no other services in addition to their statutory audit duties.

|  |               |        |
|--|---------------|--------|
| Total remuneration paid to auditors during the financial year: | <b>2014</b>   | 2013   |
|  | \$            | \$     |
| Audit and review of the Company's financial statements         | <b>22,610</b> | 25,680 |
| Total  | <b>22,610</b> | 25,680 |

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on Page 27.

This report is made in accordance with a resolution of the Directors.

Dated at Perth this 17 day of September 2014.



**Jian Hua Sang**  
Non-Executive Chairman

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

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**Auditor's Independence Declaration  
To the Directors of Emergent Resources Limited**

In accordance with the requirements of Section 307C of the Corporations Act 2001, as lead auditor for the audit of Emergent Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner - Audit & Assurance

Perth, 17 September 2014

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**Statement of Profit or Loss and Other Comprehensive Income  
For the financial year ended 30 June 2014**

|  | Note | 2014<br>\$       | 2013<br>\$  |
|--|------|------------------|-------------|
| <b>Continuing operations</b>   |      |                  |             |
| Revenue and other income   | 5    | 101,194          | 145,187     |
| <b>Total revenue</b>   |      | <b>101,194</b>   | 145,187     |
| Administration expenses  |      | (159,993)        | (96,691)    |
| Employee expenses  | 6    | (87,692)         | (179,264)   |
| Corporate expenses   |      | (64,449)         | (130,834)   |
| Occupancy expenses   |      | (19,636)         | (15,650)    |
| Marketing expenses   |      | (173)            | (4,329)     |
| Depreciation expenses  | 11   | (5,959)          | (7,762)     |
| Impairment expense   |      | (123,014)        | (1,080,726) |
| Exploration expenses written off   |      | (8,356)          | (89,973)    |
| <b>Loss before income tax</b>  |      | <b>(368,078)</b> | (1,460,042) |
| Income tax benefit   | 7    | -                | -           |
| <b>Net loss for the year</b>   |      | <b>(368,078)</b> | (1,460,042) |
| Other comprehensive income   |      | -                | -           |
| <b>Total comprehensive income for the year</b>   |      | <b>(368,078)</b> | (1,460,042) |
| Earnings per share for loss attributable to the ordinary equity holders of the Company |      |                  |             |
| Basic (loss) per share (cents per share)   | 28   | (0.16)           | (0.71)      |
| Diluted (loss) per share (cents per share)   | 28   | (0.16)           | (0.71)      |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

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**Statement of Financial Position**  
**As at 30 June 2014**

|  | Note  | 2014<br>\$       | 2013<br>\$       |
|--|-------|------------------|------------------|
| <b>Current assets</b>                                      |       |                  |                  |
| Cash and cash equivalents                                  | 8     | 2,517,454        | 2,797,344        |
| Trade and other receivables                                | 9     | 14,174           | 3,922            |
| Other current assets                                       | 10(a) | -                | -                |
| <b>Total current assets</b>                                |       | <b>2,531,628</b> | <b>2,801,266</b> |
| <b>Non-current assets</b>                                  |       |                  |                  |
| Property, plant and equipment                              | 11    | 23,778           | 29,737           |
| Capitalised mineral exploration and evaluation expenditure | 12    | 4,480,333        | 4,325,509        |
| Other non-current assets                                   | 10(b) | 46,700           | 58,351           |
| <b>Total non-current assets</b>                            |       | <b>4,550,811</b> | <b>4,413,597</b> |
| <b>Total assets</b>  |       | <b>7,082,439</b> | <b>7,214,863</b> |
| <b>Current liabilities</b>                                 |       |                  |                  |
| Trade and other payables                                   | 13    | 35,539           | 44,593           |
| <b>Total current liabilities</b>                           |       | <b>35,539</b>    | <b>44,593</b>    |
| <b>Total liabilities</b>                                   |       | <b>35,539</b>    | <b>44,593</b>    |
| <b>Net assets</b>  |       | <b>7,046,900</b> | <b>7,170,270</b> |
| <b>Equity</b>  |       |                  |                  |
| Issued capital   | 14    | 19,375,907       | 19,131,199       |
| Share based payment reserve                                | 16    | -                | 11,790           |
| Accumulated losses   | 16(b) | (12,329,007)     | (11,972,719)     |
| <b>Total equity</b>  |       | <b>7,046,900</b> | <b>7,170,270</b> |

The above statement of financial position should be read in conjunction with the accompanying notes.

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**Statement of Changes in Equity**  
**For the financial year ended 30 June 2014**

|  | Note | Issued<br>capital<br>\$ | Share Based<br>Payment<br>Reserve<br>\$ | Accumulated<br>losses<br>\$ | Total<br>\$      |
|--|------|-------------------------|---|-----------------------------|------------------|
| Balance at 1 July 2012                               |      | 19,131,199              | 250,779                                 | (10,754,419)                | 8,627,559        |
| Total comprehensive<br>income for the financial year | 16   | -                       | -                                       | (1,460,042)                 | (1,460,042)      |
| Options issued during the<br>financial year          | 16   | -                       | 2,753                                   | -                           | 2,753            |
| Options expired during year                          | 16   | -                       | (241,742)                               | 241,742                     | -                |
| Balance at 30 June 2013                              |      | <u>19,131,199</u>       | <u>11,790</u>                           | <u>(11,972,719)</u>         | <u>7,170,270</u> |

|  |           |                          |                 |                            |                         |
|--|-----------|--------------------------|-----------------|----------------------------|-------------------------|
| <b>Total comprehensive<br/>income for the financial<br/>year</b> | <b>16</b> | <b>-</b>                 | <b>-</b>        | <b>(368,078)</b>           | <b>(368,078)</b>        |
| <b>Shares issued during the<br/>financial year</b>               | <b>14</b> | <b>260,000</b>           | <b>-</b>        | <b>-</b>                   | <b>260,000</b>          |
| <b>Share issue costs</b>   | <b>14</b> | <b>(15,292)</b>          | <b>-</b>        | <b>-</b>                   | <b>(15,292)</b>         |
| <b>Options expired during year</b>                               | <b>16</b> | <b>-</b>                 | <b>(11,790)</b> | <b>11,790</b>              | <b>-</b>                |
| <b>Balance at 30 June 2014</b>                                   |           | <b><u>19,375,907</u></b> | <b><u>-</u></b> | <b><u>(12,329,007)</u></b> | <b><u>7,046,900</u></b> |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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**Statement of Cash Flows**  
**For the financial year ended 30 June 2014**

|   | Note | 2014<br>\$       | 2013<br>\$       |
|---|------|------------------|------------------|
| <b>Cash flows from operating activities</b>                             |      |                  |                  |
| Interest received   |      | 91,957           | 143,317          |
| Payments to suppliers and employees                                     |      | (336,749)        | (427,266)        |
| <b>Net cash used in operating activities</b>                            | 27   | <b>(244,792)</b> | <b>(283,949)</b> |
| <b>Cash flows from investing activities</b>                             |      |                  |                  |
| Payments for exploration and evaluation                                 |      | (291,458)        | (364,619)        |
| Security bonds returned   |      | 11,652           | -                |
| <b>Net cash used in investing activities</b>                            |      | <b>(279,806)</b> | <b>(364,619)</b> |
| <b>Cash flows from financing activities</b>                             |      |                  |                  |
| Received on the issue of shares   |      | 260,000          | -                |
| Payments for transaction costs relating to share issues                 |      | (15,292)         | -                |
| <b>Net cash provided by financing activities</b>                        |      | <b>244,708</b>   | <b>-</b>         |
| <b>Net (decrease)/ increase in cash held</b>                            |      | <b>(279,890)</b> | <b>(648,568)</b> |
| <b>Cash and cash equivalents at the beginning of the financial year</b> |      | <b>2,797,344</b> | <b>3,445,912</b> |
| <b>Cash and cash equivalents at the end of the financial year</b>       | 8    | <b>2,517,454</b> | <b>2,797,344</b> |

The above statement of cash flows should be read in conjunction with the accompanying notes.

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**Notes to the Financial Statements  
For the financial year ended 30 June 2014**

**Note 1 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for Emergent Resources Limited as a single entity ("Company").

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

The financial report of the Company was authorised for issue in accordance with a resolution of Directors on 17 September 2014.

*Statement of Compliance*

The financial report of Emergent Resources Limited complies with Australian Accounting Standards in their entirety. Compliance with Australian Accounting Standards ensures that the financial report also complies with International Financial Reporting Standards (IFRS) in their entirety.

*Reporting basis and conventions*

These financial statements have been prepared under the historical cost convention, and on an accrual basis.

*Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**(b) Segment reporting**

Operating segments are identified and segment information disclosed, where appropriate, on the basis of internal reports reviewed by the Company's Board of Directors, being the Company's Chief Operating Decision Maker, as defined by AASB 8.

**(c) Revenue recognition and receivables**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances and amounts collectable on behalf of third parties.

*Interest income*

Interest income is recognised on a time proportion basis and is recognised as it accrues.

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

**(d) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary timing differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to those timing differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(e) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

**(f) Impairment of financial assets**

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

*Financial assets carried at amortised cost*

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

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

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

*Financial assets carried at cost*

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

**(g) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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**Notes to the Financial Statements  
For the financial year ended 30 June 2014**

**(h) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

Depreciation of property, plant and equipment is calculated using the straight line and written down value methods to allocate their cost, net of residual values, over their estimated useful lives, as follows:

|                  |           |
|------------------|-----------|
| Field equipment  | 5 - 33.3% |
| Office equipment | 5 - 50%   |
| Motor Vehicles   | 10 - 25%  |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)). Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

**(i) Mineral exploration and evaluation expenditure**

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.
- In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.
- Immediate restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Exploration activities resulting in future obligations in respect of restoration costs result in a provision to be made by capitalising the estimated costs, on a discounted cash basis, of restoration and depreciating over the useful life of the asset. The unwinding of the effect of the discounting on the provision is recorded as a finance cost in profit or loss.

**(j) Joint Arrangements**

A joint arrangement in which the Company has direct rights to the underlying assets and obligations for underlying liabilities is classified as a joint operation.

Interests in joint operations are accounted for by recognising the Company's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly) and its share of the expenses (including its share of any expenses incurred jointly).

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**Notes to the Financial Statements  
For the financial year ended 30 June 2014**

**(k) Trade and other payables**

These amounts represent liabilities, at amortised cost, for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within the payment terms negotiated with the creditor.

**(l) Employee benefits**

*Wages, salaries and annual leave.*

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

*Long service leave.*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future salaries, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Share based payments.*

Share based compensation payments are made available to Directors and employees.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

**(m) Issued capital**

*Ordinary shares are classified as equity.*

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

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

**(n) Earnings per share**

*Basic earnings per share*

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

*Diluted earnings per share*

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

**(o) Goods and services tax (GST)**

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

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

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

**(p) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(q) Financial instruments**

*Recognition*

When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

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

*Financial assets at fair value through profit or loss*

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

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

**(q) Financial instruments (continued)**

*Held-to-maturity investments*

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

*Loans and receivables*

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

*Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**(r) Fair value estimation**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

*Investments in equity and debt securities*

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available for sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held to maturity investments is determined for disclosure purposes only. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

*Trade and other receivables*

The fair value of trade and other receivables is measured at their fair value at the reporting date.

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**Notes to the Financial Statements  
For the financial year ended 30 June 2014**

**(s) Adoption of new and revised standards**

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the group's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no changes are necessary to Group accounting policies.

**Note 2 Financial risk management**

The Company has exposure to a variety of risks arising from its use of financial instruments. This note presents information about the Company's exposure to the specific risks, and the policies and processes for measuring and managing those risks. The Board of Directors has the overall responsibility for the risk management framework and has adopted a Risk Management Policy.

**(a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

*Trade and other receivables*

The Company has no investments and the nature of the business activity of the Company does not result in trading receivables. The receivables that the Company does experience through its normal course of business are short term and the risk of recovery of no recovery of receivables is considered to be negligible.

*Cash deposits*

The Company's bankers are ANZ Limited and Westpac Banking Corporation and, at balance date, all operating accounts and funds held on deposit are with these banks. The Directors believe any risk associated with the use of these banks is addressed through the use of an AA- rated bank as the primary banker. Except for this matter the Company currently has no significant concentrations of credit risk.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance resources to finance the Company's current and future operations, and consideration is given to the liquid assets available to the Company before commitment is made to future expenditure or investment. If the Company does not raise capital, it can continue as a going concern by reducing planned but not committed expenditure until funding is available or joint venture arrangements can be entered in to.

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**Notes to the Financial Statements  
For the financial year ended 30 June 2014**

**Note 2 Financial risk management (continued)**

**(c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising any return.

*Interest rate risk*

The Company has significant cash assets which may be susceptible to fluctuations in changes in interest rates. Whilst the Company requires the cash assets to be sufficiently liquid to cover any planned or unforeseen future expenditure, which prevents the cash assets being committed to long term fixed interest arrangements; the Company does mitigate potential interest rate risk by entering into short to medium term fixed interest investments.

*Other market risks*

The Company does not have any direct contact with foreign exchange or equity risks other than their effect on the general economy.

**(d) Capital management**

The Board of Directors monitors capital expenditure and cash flows as mentioned in (b). The Company's capital structure may be amended by the issue of equity securities or by entering in to other finance arrangements as necessary to fund the Company's operations and to continue as a going concern.

The Company's current capital structure has been comprised entirely of equity based securities since its incorporation, and has no externally imposed capital requirements to which it is subject to, other than the requirements of the Corporations Act and ASX Listing Rules. There has been no material change to the composition of the Company's capital in this or prior reporting periods.

**Note 3 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

*Accounting for capitalised exploration and evaluation expenditure*

The Company's accounting policy is stated at Note 1(j). There is some subjectivity involved in the carrying forward as capitalised or writing off to the income statement exploration and evaluation expenditure, however the Board and management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure reflect fairly the prevailing situation. In the year ended 30 June 2014 an amount of \$123,014 has been written off (2013: \$1,080,726).

*Impairment*

The Company assess impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Where an impairment trigger exists, the recoverable amount of the asset is determined. Impairment in respect of exploration and evaluation expenditure is detailed in Note 12 to the financial statements.

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

*Measurement of share-based payments*

The Company's accounting policy is stated at 1(l). The fair value of options granted is measured using a valuation model taking into account the share price at the grant date, exercise price, expected option life and the expected volatility of the share price traded on the ASX.

Refer Note 17 for details of carrying amounts, estimates and assumptions used.

**Note 4 Segment information**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The Company's only material reportable segment for the financial period has been identified as the Beyondie Project in the Mid-West region of Western Australia.

|                                       | <b>2014</b>      | 2013        |
|---------------------------------------|------------------|-------------|
|                                       | \$               | \$          |
| Capitalised exploration for the year: |                  |             |
| Beyondie Project                      | <b>277,837</b>   | 171,670     |
| Other                                 | -                | 108,417     |
|                                       | <b>277,837</b>   | 280,087     |
| Result for the year:                  |                  |             |
| Beyondie Project                      | <b>(123,014)</b> | (38,478)    |
| Other                                 | <b>(245,053)</b> | (1,421,564) |
|                                       | <b>(368,067)</b> | (1,460,042) |
| Total segment assets:                 |                  |             |
| Beyondie Project                      | <b>4,480,332</b> | 4,325,509   |
| Other                                 | <b>2,602,107</b> | 2,889,354   |
|                                       | <b>7,082,439</b> | 7,214,863   |

**Note 5 Revenue**

|                 |                |         |
|-----------------|----------------|---------|
| Interest income | <b>101,194</b> | 144,537 |
| Other income    | -              | 650     |
|                 | <b>101,194</b> | 145,187 |

**Note 6 Loss for the year**

Loss before income tax includes the following specific expenses:

Depreciation:

|                     |              |       |
|---------------------|--------------|-------|
| Office equipment    | <b>3,865</b> | 5,230 |
| Plant and equipment | <b>2,094</b> | 2,532 |

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Notes to the Financial Statements  
For the financial year ended 30 June 2014

|   | 5,959          | 7,762            |
|---|----------------|------------------|
|   | 2014           | 2013             |
|   | \$             | \$               |
| <b>Note 6 Loss for the year (continued)</b>   |                |                  |
| Employee expenses   |                |                  |
| Wages and salaries  | -              | 58,444           |
| Defined contribution superannuation expense   | 15,079         | 15,532           |
| Salary costs capitalised to exploration   | (126,461)      | -                |
| Directors' fees   | 199,014        | 109,677          |
| Other employment expenses   | 60             | (4,389)          |
|   | <b>87,692</b>  | <b>179,264</b>   |
| Impairment expense  | <b>123,014</b> | <b>1,080,726</b> |
| <b>Note 7 Income tax</b>  |                |                  |
| <i>a) Income tax expense</i>  |                |                  |
| Current income tax:   |                |                  |
| Current income tax charge (benefit)   | (112,827)      | (288,994)        |
| Deferred income tax:  |                |                  |
| Relating to origination and reversal of timing differences                                | 112,827        | 288,994          |
| Net movement in deferred tax balances   | -              | -                |
| Income tax expense reported in statement of profit or loss and other comprehensive income | -              | -                |
| <i>b) Reconciliation of income tax expense to prima facie tax payable</i>                 |                |                  |
| Loss from continuing operations before income tax expense                                 | (368,078)      | (1,460,042)      |
| Tax at the Australian rate of 30% (2013 – 30%)  | (110,423)      | (438,013)        |
| <i>Tax effect of permanent differences:</i>   |                |                  |
| Exploration costs written off   | (1,788)        | -                |
| Non-deductible share based payment  | -              | 826              |
| Impairment charge   | 36,904         | 351,210          |
| Capital raising costs   | (53,787)       | (90,190)         |
| Net deferred tax asset benefit not brought to account                                     | 125,519        | 176,167          |
| Tax (benefit)/expense   | -              | -                |

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**Notes to the Financial Statements  
For the financial year ended 30 June 2014**

|   | 2014<br>\$       | 2013<br>\$ |
|---|------------------|------------|
| <b>Note 7 Income tax (continued)</b>          |                  |            |
| <i>c) Deferred tax balances</i>               |                  |            |
| Recognised Deferred Tax Balances              |                  |            |
| Deferred Tax Asset:                           |                  |            |
| Tax losses carried forward                    | <b>1,347,737</b> | 1,297,653  |
| <i>Deferred Tax Liabilities:</i>              |                  |            |
| Exploration expenditure capitalised           | <b>1,344,100</b> | 1,297,653  |
| Other deferred tax balances                   | <b>3,637</b>     | -          |
| Deferred Tax Liability                        | <b>1,347,737</b> | 1,297,653  |
| Net recognised deferred tax balances          | -                | -          |
| <i>d) Unrecognised Deferred Tax Balances:</i> |                  |            |
| Deferred tax assets comprise:                 |                  |            |
| Tax losses carried forward                    | <b>3,423,642</b> | 3,386,353  |
| Other deferred tax balances                   | <b>51,213</b>    | 98,965     |
| Net unrecognised deferred tax asset           | <b>3,474,854</b> | 3,485,318  |

Potential deferred tax assets attributable to tax losses and capital losses carried forward have not been brought to account because the Directors do not believe it is appropriate to regard realisation of the future tax benefit as probable.

|   |                |               |
|---|----------------|---------------|
| e) Income tax benefit not recognised directly in equity during the year |                |               |
| Capital raising costs   | <b>136,241</b> | <b>90,073</b> |

**Note 8 Current assets - Cash and cash equivalents**

*(a) Reconciliation to cash at the end of the year*

The figures below are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

|   |                  |           |
|---|------------------|-----------|
| Cash at bank  | <b>65,454</b>    | 197,344   |
| Deposits at call                                      | <b>2,450,000</b> | 2,600,000 |
| Cash and cash equivalents per statement of cash flows | <b>2,517,454</b> | 2,797,344 |

The above amount includes \$50,000 (2013: \$50,000) that is held in a restricted term deposit by ANZ as security against the Company's credit card liability.

*(b) Deposits at call*

The deposits are bearing fixed interest rates of between 2.5% and 3.71% (2013: 5.9%).

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

|  | 2014<br>\$ | 2013<br>\$ |
|--|------------|------------|
| <b>Note 9 Current assets – Trade and other receivables</b> |            |            |
| Prepayments  | 2,888      | -          |
| Accrued interest   | 9,237      |            |
| GST recoverable  | 2,049      | 3,922      |
|  | 14,174     | 3,922      |

Details of fair value and exposure to interest risk are included at Note 18.

**Note 10 Other assets**

**(a) Other assets - Current**

|                  |   |   |
|------------------|---|---|
| Deposits & Bonds | - | - |
|                  | - | - |

**(b) Other assets – Non-current**

|                  |        |        |
|------------------|--------|--------|
| Deposits & Bonds | 46,700 | 58,351 |
|                  | 46,700 | 58,351 |

**Note 11 Non-current assets – Property, plant and equipment**

|                            |          |          |
|----------------------------|----------|----------|
| <i>Office equipment</i>    |          |          |
| At cost                    | 40,909   | 40,909   |
| Accumulated depreciation   | (27,738) | (23,872) |
|                            | 13,171   | 17,037   |
| <i>Plant and equipment</i> |          |          |
| At cost                    | 21,254   | 21,254   |
| Accumulated depreciation   | (10,647) | (8,554)  |
|                            | 10,607   | 12,700   |
|                            | 23,778   | 29,737   |

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**Notes to the Financial Statements  
For the financial year ended 30 June 2014**

|   | 2014<br>\$           | 2013<br>\$           |
|---|----------------------|----------------------|
| <b>Note 11 Non-current assets – Property, plant and equipment (continued)</b> |                      |                      |
| <b>Reconciliation of movements:</b>   |                      |                      |
| <i>Office equipment</i>   |                      |                      |
| Net book value at start of the year   | 17,037               | 22,267               |
| Additions   | -                    | -                    |
| Disposal  | -                    | -                    |
| Depreciation  | (3,866)              | (5,230)              |
| Net book value at end of the year   | <u>13,171</u>        | <u>17,037</u>        |
| <i>Plant and equipment</i>  |                      |                      |
| Net book value at start of the year   | 12,700               | 15,232               |
| Additions   | -                    | -                    |
| Disposal  | -                    | -                    |
| Depreciation  | (2,093)              | (2,532)              |
| Net book value at end of the year   | <u>10,607</u>        | <u>12,700</u>        |
|   | <u><b>23,778</b></u> | <u><b>29,737</b></u> |

No items of property, plant and equipment have been pledged as security by the Company.

**Note 12 Non-current assets – Capitalised mineral exploration and evaluation expenditure**

|  |                  |                  |
|--|------------------|------------------|
| <i>In the exploration and evaluation phase:</i>        |                  |                  |
| Capitalised exploration costs at the start of the year | 4,325,509        | 5,126,148        |
| Exploration costs capitalised during the year          | 286,194          | 280,087          |
| Exploration costs written off during the year          | (8,356)          | -                |
| Exploration costs impaired during the year             | (123,014)        | (1,080,726)      |
| Capitalised exploration costs at the end of the year   | <u>4,480,333</u> | <u>4,325,509</u> |

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

During the financial year it was decided by the Board and management to provide impairment on all of its capitalised exploration projects except Beyondie. This resulted in an impairment charge totalling \$123,014 (2013: \$1,080,624) for tenements not renewed.

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

|                                      | 2014<br>\$    | 2013<br>\$    |
|--------------------------------------|---------------|---------------|
| <b>Note 13 Current liabilities</b>   |               |               |
| <b>Trade and other payables</b>      |               |               |
| Trade payables                       | 1,072         | 14,953        |
| Sundry payables and accrued expenses | 34,467        | 29,640        |
|                                      | <b>35,539</b> | <b>44,593</b> |

Liabilities are not secured over the assets of the Company. Details of fair value and exposure to interest risk are included at note 18.

**Note 14 Issued capital**

*a) Ordinary shares*

The Company is a public company limited by shares. The Company was incorporated in Perth, Western Australia.

The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

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

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

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company.

*b) Share capital*

|                                   | 2014<br>No. | 2013<br>No. | 2014<br>\$ | 2013<br>\$ |
|-----------------------------------|-------------|-------------|------------|------------|
| <i>Fully paid ordinary shares</i> | 206,991,001 | 206,991,001 | 19,131,199 | 19,131,199 |

*c) Share movements during the year*

|   | Issue price |             |             |            |
|---|-------------|-------------|-------------|------------|
| <i>At the beginning of the year</i>         |             | 206,991,001 | 206,991,001 | 19,131,199 |
| <i>Placement</i>                            | \$0.013     | 20,000,000  | -           | 260,000    |
| <i>Less: costs related to shares issued</i> |             | -           | -           | (15,292)   |
| <i>At the end of the year</i>               |             | 226,991,001 | 206,991,001 | 19,375,907 |

Information relating to options over unissued shares is set out in note 15.

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

**Note 15 Options**

| <i>a) Options on issue</i> | <b>2014</b>       | 2013       | <b>2014</b>   | 2013   |
|----------------------------|-------------------|------------|---------------|--------|
|                            | <b>No.</b>        | No.        | <b>\$</b>     | \$     |
| Issued option capital      | <b>10,125,000</b> | 10,125,000 | <b>11,790</b> | 11,790 |

*b) Unlisted Option movements during the year*

|                                      | <b>2014</b>         | 2013        | <b>2014</b>     | 2013      |
|--------------------------------------|---------------------|-------------|-----------------|-----------|
|                                      | <b>No.</b>          | No.         | <b>\$</b>       | \$        |
| At the beginning of the year         | <b>10,125,000</b>   | 7,296,443   | <b>11,790</b>   | 250,779   |
| Unlisted options issued (i)          | -                   | -           | -               | 1,465     |
| Unlisted options expired / forfeited | <b>(10,125,000)</b> | (7,171,443) | <b>(11,790)</b> | (241,742) |
| Unlisted options issued (ii)         | -                   | 10,000,000  | -               | 1,288     |
| At the end of the year               | -                   | 10,125,000  | -               | 11,790    |

(i) *Unlisted options issued as a part of a shareholder approved, Director remuneration package for Mr Wolfgang Fischer. The dollar value shown is the amount expensed in relation to the options remuneration under Australian Accounting Standards.*

(ii) *Unlisted options issued as a part of a Director remuneration package for Dr Andrew Tunks upon his appointment as Director. The dollar value shown is the amount expensed in relation to the options remuneration under Australian Accounting Standards.*

*d) Options on issue at the balance date*

The number of options outstanding as at 30 June 2014 is nil (2013: 10,125,000).

*e) Subsequent to the balance date*

No options were issued or exercised between the end of the financial year and the date of this report.

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

**Note 15 Options (continued)**

*Reconciliation of movement of options over unissued shares during the period including weighted average exercise price (WAEP)*

|  | 2014         |                 | 2013        |                 |
|--|--------------|-----------------|-------------|-----------------|
|  | No.          | WAEP<br>(cents) | No.         | WAEP<br>(cents) |
| Options outstanding at the start of the year | 10,125,000   | 53.0            | 7,296,443   | 22.0            |
| Unlisted options granted during the year     | -            | -               | 10,000,000  | 4.0             |
| Options expiring unexercised during the year | (10,125,000) | 53.0            | (7,171,443) | 20.0            |
| Options outstanding at the end of the year   | -            | -               | 10,125,000  | 53.0            |

| 2014 | 2013 |
|------|------|
| \$   | \$   |

**Note 16 Reserves and accumulated losses**

**(a) Share-based payment reserve**

|                                |          |           |
|--------------------------------|----------|-----------|
| Balance at beginning of year   | 11,790   | 250,779   |
| Options issued to directors    | -        | 2,753     |
| Options expired                | (11,790) | (241,742) |
| Balance at the end of the year | -        | 11,790    |

The share-based payment reserve records items recognised as expenses on valuation of employee and consultant options.

**(b) Accumulated losses**

|                                 |              |              |
|---------------------------------|--------------|--------------|
| <i>Accumulated losses:</i>      |              |              |
| At the beginning of the year    | (11,972,719) | (10,754,419) |
| Loss for the year               | (368,078)    | (1,460,042)  |
| Options expired during the year | 11,790       | 241,742      |
| Balance at the end of the year  | (12,329,007) | (11,972,719) |

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

**Note 17 Share based payments**

- a) In the prior year, on the 21 June 2013, the Company issued 10,000,000 unlisted options to Dr Andrew Tunks upon his appointment as director. The options consisted of 5,000,000 unlisted options exercisable at 2.5 cents on or before 21 June 2017 and 5,000,000 unlisted options exercisable at 5 cents on or before 21 June 2018. Dr Andrew Tunks resigned from the Company on 26 November 2013 and the options expired.

|                                       | <b>2014</b>  | 2013         |
|---------------------------------------|--------------|--------------|
|                                       | <b>\$</b>    | \$           |
| Number of Options                     | 5,000,000    | 5,000,000    |
| Fair value at grant date <sup>1</sup> | \$0.0054     | \$0.0051     |
| Share price                           | \$0.010      | \$0.010      |
| Exercise price                        | \$0.025      | \$0.05       |
| Volatility factor                     | 98.71%       | 98.71%       |
| Expiry date of the options            | 21 June 2017 | 21 June 2018 |
| Risk free interest rate <sup>2</sup>  | 3.14%        | 3.14%        |

<sup>1</sup> The basis of measuring fair value of the options was the Black-Scholes Option Pricing Model

<sup>2</sup> Based on the prevailing Commonwealth Government Bond Rate at date of issue to expiry of option

Included under employee benefits expense in the statement of comprehensive income is \$nil which relates to equity-settled share-based payment transactions (2013: \$2,753).

- b) No shares were granted to key management personnel for share-based payments during the financial year ended 30 June 2014.

**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

**Note 18 Financial instruments**

***Credit risk***

The Directors do not consider that the Company's financial assets are subject to anything more than a negligible level of credit risk, and as such no disclosures are made, note 2(a).

***Impairment losses***

The Directors do not consider that any of the Company's financial assets are subject to impairment at the reporting date. No impairment expense or reversal of impairment charge has occurred during the reporting period.

***Liquidity risk***

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, note 2(b):

| 2014           | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|----------------|-----------------|------------------------|------------------|-------------|-----------|-----------|-------------------|
|                | \$              | \$                     | \$               | \$          | \$        | \$        | \$                |
| Trade payables | 1,072           | 1,072                  | 1,072            | -           | -         | -         | -                 |
|                | <u>1,072</u>    | <u>1,072</u>           | <u>1,072</u>     | <u>-</u>    | <u>-</u>  | <u>-</u>  | <u>-</u>          |
| 2013           | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|                | \$              | \$                     | \$               | \$          | \$        | \$        | \$                |
| Trade payables | 14,954          | 14,954                 | 14,954           | -           | -         | -         | -                 |
|                | <u>14,954</u>   | <u>14,954</u>          | <u>14,954</u>    | <u>-</u>    | <u>-</u>  | <u>-</u>  | <u>-</u>          |

***Interest rate risk***

At the reporting date the interest profile of the Company's interest-bearing financial instruments was:

|                                  | Carrying amount (\$) |                  |
|----------------------------------|----------------------|------------------|
|                                  | 2014                 | 2013             |
| <b>Variable rate instruments</b> |                      |                  |
| Financial assets                 | <u>2,517,454</u>     | <u>2,797,344</u> |

The weighted average effective interest rates for financial assets at 30 June 2014 is 1.9% (2013: 4.19%). The weighted average maturity period for these financial assets as at 30 June 2014 is nil months (2013: nil months).

***Cash flow sensitivity analysis for variable rate instruments***

A change of 100 basis points 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.

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**Notes to the Financial Statements**  
**For the financial year ended 30 June 2014**

**Note 18 Financial instruments (Continued)**

| 2014                      | Profit or loss |                 | Equity         |                 |
|---------------------------|----------------|-----------------|----------------|-----------------|
|                           | 1%<br>increase | 1%<br>decrease  | 1%<br>increase | 1%<br>decrease  |
| Variable rate instruments | <b>24,000</b>  | <b>(24,000)</b> | <b>24,000</b>  | <b>(24,000)</b> |

| 2013                      | Profit or loss |                | Equity         |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 1%<br>increase | 1%<br>decrease | 1%<br>increase | 1%<br>decrease |
| Variable rate instruments | 26,866         | (26,866)       | 26,866         | (26,866)       |

**Fair values**

*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

|                                       | 2014               |                  | 2013               |            |
|---------------------------------------|--------------------|------------------|--------------------|------------|
|                                       | Carrying<br>amount | Fair value       | Carrying<br>amount | Fair value |
|                                       | \$                 | \$               | \$                 | \$         |
| Cash and cash equivalents             | <b>2,517,454</b>   | <b>2,517,454</b> | 2,797,344          | 2,797,344  |
| Trade receivables                     | -                  | -                | -                  | -          |
| Trade payables – at amortised<br>cost | <b>(1,072)</b>     | <b>(1,072)</b>   | (14,954)           | (14,954)   |
|                                       | <b>2,516,382</b>   | <b>2,516,382</b> | 2,782,390          | 2,782,390  |

The Company's policy for recognition of fair values is disclosed at note 1(r).

**Note 19 Dividends**

No dividends were paid or proposed during the financial year.

The Company has no franking credits available as at 30 June 2014 (2013: nil).

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**Notes to the Financial Statements  
 For the financial year ended 30 June 2014**

**Note 20 Key management personnel disclosures**

*Key management personnel compensation*

|                              | <b>2014</b>    | 2013    |
|------------------------------|----------------|---------|
|                              | \$             | \$      |
| Short-term employee benefits | <b>224,014</b> | 168,121 |
| Post-employment benefits     | <b>15,079</b>  | 15,531  |
| Share-based payment          | -              | 2,753   |
| Other benefits               | <b>500</b>     | -       |
|                              | <b>239,593</b> | 186,405 |

*Equity instrument disclosures relating to key management personnel*

*Unlisted Options provided as remuneration and shares issued on exercise of such options*

No shares have been issued to key management personnel on exercise of options during the year.

No shares were granted to key management personnel for share-based payments during the financial year ended 30 June 2014.

*Loans made to key management personnel*

No loans were made to key personnel, including personally related entities during the reporting period.

*Other transactions with key management personnel*

There were no other transactions with key management personnel, other than as disclosed in the *Remuneration Report*.

**Note 21 Remuneration of auditors**

|   | <b>2014</b>   | 2013   |
|---|---------------|--------|
|   | \$            | \$     |
| Audit or review of the financial reports of the Company | <b>26,610</b> | 25,680 |
| Balance at the end of the year                          | <b>26,610</b> | 25,680 |

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**Notes to the Financial Statements  
For the financial year ended 30 June 2014**

**Note 22 Contingencies**

*(i) Contingent liabilities*

There were no material contingent liabilities not provided for in the financial statements of the Company as at 30 June 2014 or 30 June 2013 other than:

*Native Title and Aboriginal Heritage*

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

*(ii) Contingent assets*

There were no material contingent assets as at 30 June 2014 or 30 June 2013.

**Note 23 Commitments**

*(a) Exploration*

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company have not been provided for in the financial statements and which cover the following twelve month period amount to \$181,000 (2013: \$375,250). These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements. This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners.

|   | 2014           | 2013           |
|---|----------------|----------------|
| Note  | \$             | \$             |
| Not later than one year                           | 181,000        | 375,250        |
| Later than one year but not later than five years | 112,000        | 390,000        |
|   | <b>293,000</b> | <b>765,250</b> |

*(b) Contractual Commitment*

There are no material contractual commitments as at 30 June 2014 (2013: nil) other than those disclosed above in the Financial Statements.

**Note 24 Related party transactions**

There were no related party transactions during the year, other than disclosed at Note 20.

**Notes to the Financial Statements  
For the financial year ended 30 June 2014**

**Note 25 Interests in joint operations**

Joint arrangement agreements have been entered into with third parties. Details of these agreements are disclosed below.

Assets employed by these joint ventures and the Company's expenditure in respect of them is brought to account initially as capitalised exploration and evaluation expenditure until a formal joint venture agreement is entered into. Thereafter, investment in joint ventures is recorded distinctly from capitalised exploration costs incurred on the Company's 100% owned projects.

The Company has the following joint ventures which are classed as joint operations:

| <b>Joint Venture Project</b> | <b>Percentage Interest</b>             | <b>Principal Exploration Activities</b> |
|------------------------------|--|---|
| Beyondie Iron                | 80% (2012: 80%) De Grey Mining Limited | Iron Ore, Vanadium, Manganese           |

Under an agreement entered into with De Grey Mining Limited on 1 May 2008, Emergent Resources Limited has rights to 80% of the iron ore, vanadium and manganese on EL52/1806 and EL52/2215. The Company will sole fund the tenements until it makes a decision to mine. De Grey Mining Limited may then contribute on its 20% interest basis or convert to a 2% net smelter royalty.

The Company's interest in exploration expenditure in the above mentioned Joint Venture is as follows:

|                                  | <b>Beyondie<br/>80%</b> |
|----------------------------------|-------------------------|
| <b>Non-Current Assets</b>        |                         |
| Exploration and Evaluation Asset | 4,287,534               |
| Impairment                       | -                       |
| <b>Carrying Amount</b>           | <b>4,287,534</b>        |

**Note 26 Events occurring after the balance sheet date**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.



Notes to the Financial Statements  
For the financial year ended 30 June 2014

**Note 27 Reconciliation of loss after tax to net cash inflow from operating activities**

| Note   | 2014<br>\$       | 2013<br>\$  |
|--|------------------|-------------|
| Loss after tax                                     | <b>(368,078)</b> | (1,460,042) |
| <i>Non-cash items:</i>                             |                  |             |
| Equity Remuneration                                | -                | 2,753       |
| Depreciation expense                               | <b>5,959</b>     | 7,762       |
| Exploration costs impaired/written off             | <b>131,467</b>   | 1,170,699   |
| <i>Changes in net assets and liabilities:</i>      |                  |             |
| (Increase)/decrease in trade and other receivables | <b>(2,888)</b>   | 200         |
| (Increase)/decrease in other assets                | <b>1,873</b>     | 968         |
| Increase/(decrease) in trade and other payables    | <b>(13,125)</b>  | (620)       |
| Increase/(decrease) in employee liabilities        | -                | (5,669)     |
|  | <b>(244,792)</b> | (283,949)   |

There were no non-cash financing and investing activities undertaken during the year.

**Note 28 Earnings per share**

|  | 2014<br>cents      | 2013<br>cents |
|--|--------------------|---------------|
| <i>a) Basic earnings per share</i>   |                    |               |
| Loss attributable to ordinary equity holders of the Company  | <b>(0.16)</b>      | (0.71)        |
| <i>b) Diluted earnings per share</i>   |                    |               |
| Loss attributable to ordinary equity holders of the Company  | <b>(0.16)</b>      | (0.71)        |
|  | \$                 | \$            |
| <i>c) Loss used in calculation of basic and diluted loss per share</i>                                     |                    |               |
| Loss after tax from continuing operations  | <b>(368,078)</b>   | (1,460,042)   |
|  | No.                | No.           |
| <i>d) Weighted average number of shares used as the denominator</i>  |                    |               |
| Weighted average number of shares used as the denominator in calculating basic and dilutive loss per share | <b>226,717,028</b> | 206,991,001   |

At 30 June 2014 the Company had on issue nil options (2013: 10,125,000) over ordinary shares that are not considered to be dilutive to its reported loss for the year.

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**Directors' Declaration**

In the opinion of the Directors of Emergent Resources Limited ("the Company")

- (a) the financial statements and notes set out on Pages 27 - 55 are in accordance with the Corporations Act 2001, including:
- (i) complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company; and
  - (iii) complying with International Financial Reporting standards as disclosed in Note 1.
- (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 the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer, or equivalent, for the financial year ended 30 June 2014.

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

Signed at Perth this 17 day of September 2014



**Jian Hua Sang**  
**Non-Executive Chairman**

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## **Independent Auditor's Report To the Members of Emergent Resources Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Emergent Resources Limited (the "Company"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

### **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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 Company's preparation of the financial report that gives a true and fair view in order to

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design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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.

### **Auditor's opinion**

In our opinion:

- a the financial report of Emergent Resources Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

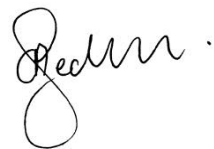
We have audited the remuneration report included in Pages 21 to 25 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Emergent Resources Limited for the year ended 30 June 2014, complies with Section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner - Audit & Assurance

Perth, 17 September 2014

**ASX Additional Information**

Pursuant to the Listing Rules of the Australian Securities Exchange Limited, the shareholder information set out below was applicable as at 16 September 2014.

**a. Distribution of Equity Securities**

| Range            | Listed Shares     |                 |
|------------------|-------------------|-----------------|
|                  | Number of Holders | Securities Held |
| 1 – 1,000        | 50                | 21,042          |
| 1,001 – 5,000    | 105               | 335,998         |
| 5,001 – 10,000   | 152               | 1,327,648       |
| 10,001 – 100,000 | 434               | 18,383,147      |
| 100,001 and over | 186               | 206,923,166     |
|                  | 927               | 226,991,001     |

There are 625 shareholders holding unmarketable parcels represented by 55,556 shares.

**b. Substantial Shareholders**

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

| Shareholder Name                       | Issued Ordinary Shares |       |
|--|------------------------|-------|
|  | Number                 | %     |
| INTERNATIONAL NATURAL RESOURCES INC    | 44,244,609             | 17.73 |
| ADVANCED ENDEAVOUR ENTERPRISES LIMITED | 20,000,000             | 8.81  |

**c. Twenty Largest Shareholders**

| Shareholder   | Shares Held        | % of Issued Capital |
|---|--------------------|---------------------|
| INTERNATIONAL NATURAL RESOURCES INC   | 20,244,609         | 8.92                |
| ADVANCED ENDEAVOUR ENTERPRISES LIMITED  | 20,000,000         | 8.81                |
| INTERNATIONAL NATURAL RESOURCES INC   | 20,000,000         | 8.81                |
| MRS KATRINA BANKS-SMITH   | 7,969,556          | 3.51                |
| BENFICO PTY LTD   | 5,999,462          | 2.64                |
| AH SUPER PTY LTD  | 5,170,000          | 2.28                |
| FINOOK PTY LTD <B & A JAMES SUPER FUND A/C>                                   | 5,040,342          | 2.22                |
| MR IANAKI SEMERDZIEV  | 4,685,434          | 2.06                |
| R & K BOYLAN NOMINEES PTY LTD <BOYLAN SUPER FUND A/C>                         | 4,357,223          | 1.92                |
| KEVIN BANKS SMITH   | 4,200,000          | 1.85                |
| WABOC PTY LTD <FISCHER SUPER FUND A/C>  | 4,016,667          | 1.77                |
| PANDELL PTY LTD   | 3,818,820          | 1.68                |
| R & K BOYLAN NOMINEES PTY LTD <BOYLAN SUPER FUND A/C>                         | 3,751,324          | 1.65                |
| PHEAKES PTY LTD <SENATE A/C>  | 3,333,333          | 1.47                |
| N & J MITCHELL HOLDINGS PTY LTD <STEINPREIS SUPER FUND A/C>                   | 2,840,273          | 1.25                |
| MS THERESE MERLE MCMASTER   | 2,706,270          | 1.19                |
| AMBERGATE NOMINEES PTY LTD  | 2,500,000          | 1.10                |
| MR WAYNE DARYL KING & MR CRAIG ALLAN KING <W D SUPER FUND A/C>                | 2,440,000          | 1.07                |
| MAREE TERESA HEMMING  | 2,280,734          | 1.00                |
| DR MICHAEL JOHN LANDY & MRS HEATHER MARGARET LANDY <LANDY SUPER FUND ACCOUNT> | 2,187,471          | 0.96                |
| <b>TOTAL</b>  | <b>127,541,518</b> | <b>56.19</b>        |

**d. Voting Rights**

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

**e. Restricted Securities**

There are no restricted securities.

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