Australia United Mining Limited

ABN 35 126 540 547

Annual Report

For the year ended 30 June 2016

Corporate Directory

AUSTRALIA UNITED MINING LIMITED
ABN 35 126 540 547

REGISTERED OFFICE
Australia United Mining Ltd
Level 14, 97-99 Bathurst Street
Sydney, NSW 2000
Telephone: (61) 2 9264 8504
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Email: j.yuan@australiaunitedmining.com.au

DIRECTORS
Xiao Jing Wang (Executive Chairman)
Jia Yu (Non-Executive Director)
Jianbing Zhang (Non-Executive Director)

COMPANY SECRETARY
Jing Yuan

AUDITOR
Nexia Melbourne Audit Pty Ltd
Level 12, 31 Queen Street
Melbourne VIC 3000

SHARE REGISTRY
Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford Vic 3067
Tel: 1300 787 272 (within Australia)
or
+613 9415 4000 (outside Australia)

STOCK EXCHANGE LISTING
Australian Securities Exchange
Home Exchange - Melbourne
ASX Code – AYM

Contents

Directors' report

The Directors present their report together with the financial report of the consolidated entity consisting of Australia United Mining Limited and its controlled entities (the Group), for the financial year ended 30 June 2016 and independent auditor's report.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The qualifications, experience and special responsibilities of each person who has been a Director of Australia United Mining Limited, together with details of the Company Secretary, during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

CURRENT DIRECTORS	
XIAO JING WANG Executive Chairman *Appointed 2 May 2012*	Mr Xiao Jing Wang holds a Diploma of Business Management and has extensive commercial and corporate experience, including the management of the Oriental Foundation International Automobile City, one of the projects approved by the Beijing Chaoyang District government. Its total investment exceeds 2 billion RMB (353 million AUD), and includes 18 automobile stores. Mr Wang is also responsible for the management of Beijing Orient Outlets Factory Shop; with a building area of around 90,000 square metres, the outlet shop is a large sale shopping centre complex offering numerous domestic and foreign brands. Mr Wang also has extensive energy and resources experience, and holds interests in Zhouqu Chinese Electric Power Corporation, a hydroelectric power station producing 51,000 kilowatts of power and Gansu Zhongyuan Chinese Energy Source Investment Corporation, as well as interests in the Beisha Hongshan Mining Area and the Hougou Mining District.
JIANBING ZHANG Non-Executive Director *Appointed 31 July 2013*	Mr. Zhang is based in Beijing and brings with him a wealth of experience in active management of companies. Mr. Zhang has an engineering background and previously held a position as Engineering Director of Beijing Urban Yatai Construction Engineering Co. Ltd. He is currently General Manager of Beijing Zhongran Construction Project Co. Ltd, a position to which he was appointed in 1997. In addition, Mr. Zhang founded Beijing Century Guang'an Real Estate Development Co. Ltd, in 2006, where he continues to serve as General Manager. Since 2008, he has held the position of Chairman of Beijing Century Hengda Advertising Co. Ltd.
JIA YU Non-Executive Director *Appointed 2 May 2012*	Ms Yu holds a Bachelor of Political Science and Law Degree and has passed the British Association of Chartered Certified Accountants exam in the People's Republic of China. She is currently an Executive Officer with the Oriental Foundation Investment Group, a large company based in Beijing with interests in real estate, the mineral industry, the energy sector and the finance sector.
JING YUAN Company Secretary *Appointed 13 March 2015*	Ms Jing Yuan holds a Bachelor of Philosophy Degree and Diploma of Common Law. She has worked with NSW Fair Trading over 25 years and she then worked as an Executive Paralegal in a law firm. Ms Yuan is a Justice of Peace, who has a wide knowledge of NSW Fair Trading Legislations. Ms Yuan also possesses excellent administrative organisational and management skills.

PRINCIPAL ACTIVITIES

The principal activity of the economic entity during the financial period was exploration and development activity on its tenements in New South Wales and Queensland.

REVIEW & RESULTS OF OPERATIONS

The losses of Australia United Mining Limited ("AUML") and its subsidiaries (the "consolidated entity") for the financial year ended 30 June 2016, after income tax, amounted to $16,589,423 (2015: $3,979,937).

During the reporting period, the company has continued to focus on the Forsayth project. A more targeted drilling program has been designed and will commence as soon as the company has received sufficient funds. The company will complete the newly adjusted drilling plan and prepare hydrology, engineering as well as environment data to use in line with the Chinese standard report.

The company's NSW tenements exploration has been designed with drilling planned at Spring Gully and Queenslander prospects. Landholder compensation agreements and government approval will be required prior to commencing the drilling which is planned to be complete prior to Christmas. The drilling program will test several structural targets.

EL 7045 Wamboyne was relinquished during the year in order to focus on the other tenements in the company's portfolio.

The company appointed William Buck to prepare an Independent Expert Report pursuant to ASIC Regulatory Guide 74 requirement and William Buck appointed Geos Mining to prepare the Independent Technical Valuation Report for the valuation of mineral assets in Queensland and NSW. The preferred value of the mineral assets is $1,940,000 which is reflected in an impairment of $15,774,871. The directors reviewed the valuation report and accepted the preferred value which was based upon the current market conditions and commodity prices.

TENEMENTS

Queensland	Licence	Equity (%)	Area (km^2)
Flying Cow & Flying Cow South	ML3418	100%	1.1
Ropewalk	ML3417	100%	1.3
New Gossan	ML3417	100%	
Lady Franklin	EPM14498	100%	59.0
Lightning & Lightning Flash	EPM14498	100%	
Havelock & Caravan Park	EPM14498	100%	
Queenslander	EPM14498	100%	
Nil Desperandum	EPM14498	100%	
Total Area			**61.4**

New South Wales	Licence	Equity (%)	Area (km^2)
Sofala	EL7423	100%	77
Puggoon	EL7155	100%	23
Honeybugle	EL7041	100%	32
Karangi	EL8402	100%	225
Total Area			**357**

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the group during the financial year.

USE OF FUNDS

The Company has used cash and assets in the form readily convertible to cash in a manner consistent with its business objectives.

FUTURE DEVELOPMENTS

The Directors are cautiously optimistic that, despite the challenges in the global economic environment, through focused and continued exploration, value will in due course be able to be extracted from the Company's leases and tenements which are geographically well positioned and in highly prospective geological environments.

The Directors propose at the next Annual General Meeting (AGM), subject to shareholder approval, to convert their loans to new issued shares in the company.

ENVIRONMENTAL REGULATIONS

The Company's exploration and mining tenements are located in New South Wales and Queensland. The operation of these tenements is subject to compliance with the New South Wales, Queensland and Commonwealth mining and environmental regulations and legislation.

Licence requirements relating to ground disturbance, rehabilitation and waste disposal exist for all tenements held. The Directors are not aware of any significant breaches of mining and environmental regulations and legislation during the period covered by this report.

DIVIDENDS

No dividends in respect of the current financial period have been paid, declared or recommended for payment (2015: Nil).

SHARE OPTIONS

Share options granted to directors and consultants

No share options were issued to Directors and consultants during the year.

Shares under option or issued on exercise of options

At year-end there were no options on unissued shares (2015: Nil). No further options were issued during the year and none were exercised (2015: Nil).

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

DIRECTORS' MEETINGS

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

Directors' Meetings		
Directors		
	Eligible to Attend	**Attended**
Mr. Xiao Jing Wang	4	4
Ms. Jia Yu	4	4
Mr. Jianbing Zhang	4	4

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's or associated entities' relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Directors	Number of fully paid ordinary shares	Number of share options
Mr. Xiao Jing Wang	130,449,969	-
Ms. Jia Yu	6,666,667	-
Mr. Jianbing Zhang	129,591,500	-

Remuneration Report (Audited)

Remuneration Policy for Directors and Executives

Details of Key Management Personnel

The Directors and Key Management Personnel of Australia United Mining Limited during the 2016 financial year were:

XIAO JING WANG Executive Chairman Appointed 6 Jan 2012 Ceased 6 Feb 2012 Reappointed 2 May 2012	**JIA YU** Non-Executive Director Appointed 6 Jan 2012 Ceased 6 Feb 2012 Reappointed 2 May 2012
MATT BULL Chief Executive Officer (CEO) Appointed 27 November 2014 Ceased 21 August 2015	**JIANBING ZHANG** Non-Executive Director Appointed 31 July 2013
Jing Yuan Company Secretary Appointed 14 March 2015	

Remuneration policy

The Board is responsible for determining and reviewing the compensation of the directors, the Chief Executive Officer, the executive officers and senior managers of the Company. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. The Board of Directors assesses market rates and seeks the advice of external advisers, where necessary, in connection with the structure of remuneration packages. The Board of Directors also recommends levels and form of remuneration for Non-Executive Directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to Non-Executive Directors shall not exceed the sum fixed by members of the Company in general meeting.

There is no direct relationship between the Company's Remuneration Policy and the Company's performance. That is, no portion of the remuneration of Directors, Secretary or Senior Managers is 'at risk'. However, in determining the remuneration to be paid in each subsequent financial year, the Board will have regard to the Company's performance. Therefore, the relationship between the Remuneration Policy and the Company's performance is indirect.

Director and executive remuneration

Details of the remuneration of key management personnel of the consolidated entity are set in the following tables.

Year ended 30-Jun-16	Short Term Benefits	Post Employment Benefits	Share Based Payment	Short term non-monetary benefits	Termination Benefits	Total
	Salary and fees	Superannuation	Options			
	$	$	$	$	$	$
Directors						
Xiao Jing Wang	100,000	-	-	-	-	100,000
Jia Yu	48,000	-	-	-	-	48,000
Jianbing Zhang	48,000	-	-	-	-	48,000
	196,000	**-**	**-**	**-**	**-**	**196,000**

Year ended 30-Jun-15	Short Term Benefits	Post Employment Benefits	Share Based Payment	Short term non-monetary benefits	Termination Benefits	Total
	Salary and fees	Superannuation	Options			
	$	$	$	$	$	$
Directors						
Xiao Jing Wang	100,000	-	-	-	-	100,000
Edward McCormack	37,548	1,140	-	-	-	38,688
Jia Yu	48,000	-	-	-	-	48,000
Jianbing Zhang	48,000	-	-	-	-	48,000
John Zee	50,000	4,000	-	-	-	54,000
Graeme Fraser	63,700	6,052	-	-	-	69,752
Matthew Bull	65,053	7,425	-	-	-	72,478
	412,301	**18,617**	**-**	**-**	**-**	**430,918**

Elements of compensation of Directors and 5 named highest paid company executives consisting of securities

The Directors, CEO and Company Secretary's compensation may include the issuance of securities. These are at the discretion of the Board. Currently there are no elements of compensation that consist of securities for any of the Directors or the Company's management.

Executive options

There were no executive options as at 30 June 2016. (2015:Nil)

Value of options issued to directors and executives

There were no grants of share-based payment compensation to directors and senior management that relate to the 2016 financial year. (2015: Nil)

No options were exercised during the reporting period.

(End of audited remuneration report)

NON-AUDIT SERVICES

During the year Nexia Melbourne Audit Pty Ltd, the Company's auditors, has performed no other services (2015: Nil) in addition to their statutory duties.

PROCEEDINGS ON BEHALF OF THE COMPANY

As at the date of this report, no person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 11 of the annual report.

Signed in accordance with a resolution of directors made pursuant to s298 (2) of the Corporations Act 2001.

On behalf of the Directors

Xiao Jing Wang
Executive Chairman
7th October 2016

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Australia United Mining Limited

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

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia

Nexia Melbourne Audit Pty Ltd
Melbourne

Richard S. Cen
Director

7th October 2016

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CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors of Australia United Mining support the principle of good corporate governance. As such, Australia United Mining Limited have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

During the reporting period the Company continued to review and enhance its governance policies and practices and the governance framework in line with best practice. The Company's corporate governance policies will continue to be under regular review due to the ever changing regulatory environment and the desire for the company to operate at the highest governance levels possible.

Unless otherwise disclosed below, the Group's governance practices comply with the ASX Corporate Governance Principles and Recommendations and have been applied for the entire financial year ended 30 June 2016.

A description of the Group's main corporate governance practices is set out below.

Principle 1: Lay Solid Foundations for Management and Oversight

A listed entity should establish and disclose the respective role and responsibilities of the Board and management and should establish and disclose the respective roles and responsibilities of board and how their performance is monitored and evaluated.

Recommendation 1.1: A listed entity should disclose:

(a) the respective roles and responsibilities of its board and management; and

(b) those matters expressly reserved to the board and those delegated to management.

Complying

The Board has adopted a charter which establishes the role of the Board and its relationship with management. The primary role of the Board is the protection and enhancement of long term shareholder value. Its responsibilities include the overall strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals. The functions and responsibilities of the Board and management are consistent with ASX Principle 1.

Each Director is given a letter upon his or her appointment which outlines the Director's duties. Similarly senior executives including the chief executive officer, and the chief financial officer, have a formal job description and letter of appointment describing their term of office, duties, rights and responsibilities, and entitlements on termination.

Recommendation 1.2: A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Complying

The Company's Board of Directors reviews the Chief Executive Officer's performance at least annually. The Non-executive Directors review the performance of the Executive Directors annually. The Company's Board of Directors, together with the Chief Executive Officer, evaluate the performance of key contractors and service providers on a regular and on-going basis.

Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Complying

The Company has entered into written agreements with all directors and senior executives setting out the terms of their appointment.

For non-executive directors this includes:

- the term of appointment;
- time commitment envisaged
- remuneration, including superannuation entitlement;
- the requirement to disclose directors interests and any matters that may affect the directors independence;
- indemnity and insurance arrangements;
- ongoing rights of access to corporate information; and
- ongoing confidentiality obligations.

Corporate Govenance Statement

For executive directors and senior executives, agreements include the above information, and:

- a description of their positon, duties, and responsibilities;
- the person or body to whom they report;
- the circumstances in which their service may be terminated (with or without notice); and
- any entitlements on termination.

Recommendation 1.4: The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Complying

The Company Secretary is responsible for:

- advising the Board and its committees on governance matters;
- monitoring that Board and committee policy and procedures are followed:
- coordinating the timely completion and dispatch of Board and committee papers;
- ensuring is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

Recommendation 1.5: The Company should:

(a) have a Diversity Policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes).

Non-Complying

Due to the small size of the Company, the Company is not in a position to report on measurable objectives for gender diversity or progress towards achieving them.

Recommendation 1.6: A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Non-Complying

Company size does not warrant a formal evaluation process.

Recommendation 1.7: A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process

Complying

The Board conducts an informal annual performance review of itself that compares the performance of the Board with the requirements of the Board Charter, critically reviews the mix of the Board and suggests and amendments to the Board Charter as are deemed necessary or appropriate.

Senior executives supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions.

The appointment and removal of the company secretary is a matter for decision by the Board as a whole and the company secretary is accountable to the Board, through the chair, on all governance matters.

Corporate Govenance Statement

Principle 2: Structure the Board to Add Value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1: The Board should have a nomination Committee which:

(1) has at least three members; a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter to committee

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.

Non-Complying

The Board has not established a formal nomination committee, having regard to the size of the Company. The Board acknowledges that when the size and nature of the Company warrants the necessity of a formal nomination committee, such a committee will operate under a nomination committee charter which will be approved by the Board. Presently, the Board, as a whole, serves as a nomination committee to the Company. Where necessary, the Board seeks advice of external advisers in connection with the suitability of applicants for Board membership.

Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

Complying

The Board has developed a skills matrix to provide a guide as to the skills, knowledge and experience appropriate for the governance of the Company. The skills matrix is designed to guide the recruitment of directors and Board succession planning.

Recommendation 2.3: A listed entity should disclose:

(a) the names of the directors considered by the Board to be independent directors;
(b) if a director has an interest, position. association or relationship that might cause doubt about the directors independence, but the board is of the opinion that it does note compromise the independence of the director, the nature of the interest, position, association in question and an explanation of why the Board is of that opinion; and
(c) the length of service of each director.

Complying

At the date of this Statement the Company has three directors comprising Mr Xiao Jing Wang (Executive Chairman) Jianbing Zhang (Non-Executive director) and Ms Jia Yu (Non-Executive director).

The Company has adopted definition of independence as set out in the Board Charter. In determining a director's independence the following definition is applied: "An independent director is considered to be independent when he or she is independent of management and has no material business or other relationship with Australia United Mining Limited which could materially impede the objectivity of, or the exercise of independent judgment by, the director or materially influence his or her ability to act in the best interests of the Company."

In reaching its decision regarding individual director independence, the Board reserves the right to consider a director to be independent even though they may not meet one or more of the specific thresholds or tests specified in the Company's Independence Policy having regard to the underlying key definition of independence and the nature of the director's circumstances.

Details of the current directors of the Company, their skills, experience, qualifications are set out on directors' report in this financial statements.

Length of service of each director

Xiao Jing Wang – Executive Chairman. Appointed 2 May 2012

Jianbing Zhang – Non-Executive director. Appointed 31 July 2013

Jia Yu – Non-Executive director. Appointed 2 May 2012

Corporate Govenance Statement

Recommendation 2.4: A majority of the Board should be independent directors.

Non-Complying

The Board believes that the interests of the shareholders are best served by directors who are not influenced by any factor other than the Company's best interests. In spite of the fact that a majority of the Board is not classified as independent, the Board believes that every director acts in good faith and in the best interests of all shareholders at all times. Enforcement of conflict of interest protocols whereby directors who have a material personal interest in a matter are not permitted to be present during discussions or to vote on that matter further ensure this. Additionally, those directors who are not classified as independent bring to the Board particular knowledge and expertise on the business which is considered valuable and constructive by the other directors.

Directors may seek independent professional advice, at the Company's expense, on any matter connected with the discharge of their responsibilities, provided the advice, together with a copy of the letter of instructions, is provided to the Board. Non-executive directors confer without management on a regular basis as and if required.

The Company's size does not justify a large Board with a majority of independent directors. All three Board members are not considered independent given they are substantial shareholders. However, the Board is actively seeking another independent non-executive director to fill the position.

Recommendation 2.5: The chair of the Board should be an in independent director and, in particular, should not be the same person as the CEO of the entity.

Non-Complying

The Chairman, Xiao Jing Wang has been Chairman of the Company since May 2012 and holds a relevant interest in 17.96% of the Company's securities at the date of this Annual Report. This majority shareholder status renders Mr Wang non-independent under the ASX guidelines. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functions. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functions.

However, the Company has adopted this recommendation of independent CEO during 2015 financial year. Mr Graeme Fraser was a CEO for the period from 1 July 2014 to 31 October. Mr Matthew Bull was a CEO from 3 November 2014 to 21 August 2015. Currently the Company is recruiting a new CEO.

Recommendation 2.6: A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Complying

The Company has a program for inducting new directors in place. All the new directors are required to participate in a director induction program which includes one-on-one discussions with key executives, provision to directors of important company documents, and visits to operational sites.

Principle 3: Act ethically and responsibly

A listed entity should act ethically and responsibly.

Recommendation 3.1: A list entity should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

Complying

The company maintains a code of conduct for its directors, senior executives and employees. In summary, the code requires that each person act honestly, in good faith and the best interests of the company; exercise a duty of care; use the powers of office in the best interests of the company and not for personal gain, declare any conflict of interest; safeguard company's assets and information and undertake any action that may jeopardise the reputation of company.

Corporate Govenance Statement

Principle 4: Safeguard Integrity in corporate Reporting

A list entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1 - The board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board, and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Non-Complying

Presently, the Board, as a whole, serves as an audit committee. When the size and nature of the Company warrants the necessity of an audit committee, such a committee will operate under the audit and risk committee charter.

Recommendation 4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Complying

For the financial year ended 30 June 2016, the company's secretary has provided the Board with the required declarations.

Recommendation 4.3: A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Complying

The audit engagement partner attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

Corporate Govenance Statement

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1- A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

Complying

The Company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The Company Secretary is required to consult with the director in relation to matters brought to his attention for potential announcement. Generally, the Director is ultimately responsible for decisions relating to the marking of market announcements. The Board is required to authorise announcements of significance to the company. No member of the company shall disclose market sensitive information to any person unless they have received acknowledgment from the ASX that the information has been released to the market.

Principle 6: Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively..

Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

Complying

The company maintains information in relation to governance documents, directors and senior executives, Board charters, annual reports and contact details through ASX announcements.

Recommendation 6.2 & 6.3

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3)

Complying

In order for the investor to gain a greater understanding of the company's business and activities. The Board has established a shareholder communications strategy policy, which aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The shareholder communications policy is available on written request.

In particular, the Board informs shareholders of all major developments affecting the Company's state of affairs as follows:

- The annual report is distributed to all shareholders who have elected to receive it, including relevant information about the operations of the Company during the year and changes in the state of affairs.
- The half-yearly report to the Australian Securities Exchange contains summarised financial information and a review of the operations of the Company during the period.
- All major announcements are lodged with the Australian Securities Exchange, and posted on the Company's website.
- Proposed major changes in Company which may impact on share ownership rights are submitted to a vote of shareholders.
- The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals.
- The Company's auditor attends the Annual General Meeting.

Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The company engages its share registry to manage the majority of communication with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry.

Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1 - The board of a listed entity should:

(a) ***have a committee to oversee risk each of which:***

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) ***if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework***

Non-Complying

Presently, the Board, as a whole, serves as an audit committee to the Company and accordingly operates under the Company's audit and risk committee charter, which has been approved by the Board.

However the Board has established a risk management policy, under which the Board has the responsibility of determining the Company's "risk profile" and is charged with overseeing and approving risk management strategy and policies, internal compliance and internal control, also is taking the Role and Responsibilities set out below:

- Business risk management;
- Compliance with legal and regulatory obligations;
- The establishment and maintenance of the internal control framework;
- The reliability and integrity of financial information for inclusion in the Company's financial statements;
- Safeguarding the independence of the external auditor; and
- Audit, accounting and financial reporting obligations.

The risk management policy is available on written request.

Recommendation 7.2 **- The board should:**

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

Corporate Govenance Statement

Complying

The Board has completed a risk assessment review of the Company's major business units, organisational structure and accounting controls and processes.

The Board has considered the results of the risk assessment and is confident that the Company's instituted risk management and internal control systems are sufficiently adequate to effectively mitigate and control the material business risks faced by the Company.

Recommendation 7.3 – A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Non-Complying

The company does not have an internal audit function. The company adopted systematic processes for the identification, analysis, evaluation, treatment, monitoring and reviewing of the material business risks. At Board meetings, the Directors and Company Secretary are required to provide assurance to the Board as to the effectiveness of the systems in place for the management of the material risks. Periodically, the Board and senior managers will undertake a strategic risk assessment workshop to re-assess the Company's material risks and determine whether the current controls are adequate and effective.

Company size does not justify an internal audit function.

Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Complying

The Company conducts exploration for minerals and is currently focused on exploration for gold and diamond in NSW and QLD. The Company does not believe that it is exposed to any material economic, environmental, or social sustainability risks.

Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1- The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a major majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the Individual attendances of the members at those meetings, or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Corporate Govenance Statement

Non-Complying

The Board has not established a formal remuneration committee, having regard to the size of the Company. The Board acknowledges that when the size and nature of the Company warrants the necessity of a formal remuneration committee, such a committee will operate under the remuneration committee charter which has been approved by the Board. The remuneration committee charter is available on written request.

Presently, the Board as a whole, excluding any relevant affected director, serves as a remuneration committee to the Company and accordingly operates under the remuneration committee charter.

Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Complying

Details of the Directors and Key Senior Executives remuneration are set out in the Remuneration Report of the Annual Report. The structure of Non-Executive Directors' remuneration is distinct from that of executives and is further detailed in the Remuneration Report of the Annual Report.

Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should:

(a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) Disclose that policy or summary of it.

Complying

The Company does not have an equity-based remuneration scheme.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2016

		Consolidated	
		June 2016	June 2015
Revenue			
Interest	3(a)	**6,685**	12,979
Other Income	3(a)	**-**	35,755
Total revenue and other income		**6,685**	48,734
Employee benefits expense	3(b)	**(32,122)**	(249,429)
Depreciation and amortisation expense	3(b)	**(8,927)**	(18,188)
Travel and accommodation expenses		**(33,161)**	(108,149)
Rent & rates		**(93,297)**	(81,982)
Legal and corporate fees		**(34,010)**	(44,337)
Insurance		**(32,619)**	(67,349)
Finance costs		**(75,387)**	(25,043)
Impairment of exploration asset		**(15,829,445)**	(2,888,287)
Director fee		**(196,000)**	(279,548)
Other expenses		**(261,140)**	(266,359)
Total expenses		**(16,596,108)**	(4,028,671)
Loss before income tax		**(16,589,423)**	(3,979,937)
Income tax benefit	4	-	-
Loss after income tax benefit attributable to the members of Australia United Mining Limited		**(16,589,423)**	(3,979,937)
Other comprehensive income			
Total comprehensive loss attributable to the members of Australia United Mining Limited		**(16,589,423)**	(3,979,937)

Earnings per share

Basic (cents per share)	5	(2.28)	(0.58)
Diluted (cents per share)	5	(2.28)	(0.58)

These Financial Statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2016

		Consolidated	
		As at 30 June 2016 $	As at 30 June 2015 $
Current assets			
Cash and cash equivalents	12(b)	**175,535**	89,903
Other receivables	6	**6,450**	35,071
Other assets	7	**20,328**	150
Total current assets		**202,313**	125,124
Non-current assets			
Other assets including cash-backed environmental bonds	7	**334,588**	341,815
Property, plant & equipment	8	**208,711**	256,244
Exploration and evaluation assets	9	**1,940,000**	17,595,801
Total non-current assets		**2,483,299**	18,193,860
Total assets		**2,685,612**	18,318,984
Current Liabilities			
Trade and other payables	10	**324,185**	633,251
Provisions	13	**8,955**	9,886
Total current liabilities		**333,140**	643,137
Non-current Liabilities			
Other non-current payables	10	**1,629,585**	363,682
Total non-current liabilities		**1,629,585**	363,682
Total liabilities		**1,962,725**	1,006,819
Net assets		**722,887**	17,312,165
Equity			
Issued capital	11(a)	**37,588,814**	37,588,669
Accumulated losses		**(36,865,927)**	(20,276,504)
Total equity		**722,887**	17,312,165

These Financial Statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2016

	Issued Capital $	Other Reserve $	Options reserve $	Accumulated Losses $	Total $
Consolidated					
Balance at 30 June 2014	**36,576,567**	**-**	**-**	**(16,296,567)**	**20,280,000**
Loss attributable to members of the consolidated entity	-	-	-	(3,979,937)	(3,979,937)
Total comprehensive loss for the period	**-**	**-**	**-**	**(3,979,937)**	**(3,979,937)**
Rights Issue	1,012,102	-	-	-	1,012,102
Cost of Capital Raising	-	-	-	-	-
Net amount raised	1,012,102	-	-	-	1,012,102
Options Expired			-	-	-
Transactions with owners	-	-	-	-	-
Balance at 30 June 2015	**37,588,669**	**-**	**-**	**(20,276,504)**	**17,312,165**
Balance at 30 June 2015	**37,588,669**	**-**	**-**	**(20,276,504)**	**17,312,165**
Loss attributable to members of the consolidated entity	-	-	-	(16,589,423)	(16,589,423)
Total comprehensive loss for the period	-	-	-	(16,589,423)	(16,589,423)
Rights Issue	145	-	-	-	145
Cost of Capital Raising	-	-	-	-	-
Net amount raised	145	-	-	-	145
Options Expired					
Transactions with owners	-	-	-	-	-
Balance at 30 June 2016	**37,588,814**	-	-	**(36,865,927)**	**722,887**

These Financial Statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the financial year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flow from operating activities			
Payments to suppliers and employees		**(811,747)**	(1,040,150)
Interest received		**6,685**	12,980
Finance costs		**(75,387)**	(25,044)
Net cash used in operating activities	12(a)	**(880,449)**	(1,052,214)
Cash flow from investing activities			
Purchases of property, plant and equipment		-	(21,452)
Payments for cash-backed environmental bonds		**(13,941)**	(2,974)
Payments for other non-current assets - exploration & mining assets		**(135,038)**	(2,022,420)
Payments for rental bonds		**(120)**	(11,168)
Proceeds from rental bonds		**1,110**	12,788
Net cash used in investing activities		**(147,989)**	(2,045,226)
Cash flow from financing activities			
Proceeds from issue of ordinary shares		**145**	1,012, 102
Proceeds from borrowings		**1,203,956**	417,660
Repayments of borrowings		**(90,031)**	-
Net cash provided by financing activities		**1,114,070**	1,429,762
Net increase in cash held		**85,632**	(1,667,678)
Cash at the beginning of the financial year		**89,903**	**1,757,581**
Cash and cash equivalents at the end of financial year	12(b)	**175,535**	89,903

These Financial Statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Australia United Mining Limited (the company) is a listed public company, incorporated in Australia.

Registered office & principal place of business

Suite 6, Level 14, 97 - 99 Bathurst Street,
SYDNEY, NSW, AUSTRALIA, 2000

The financial statements were authorised for issue, in accordance with a resolution of directors, on 7th October 2016. The directors have the power to amend and reissue the financial statements.

Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements are for the consolidated entity consisting of Australia United Mining Limited and its subsidiaries, which are all for-profit entities.

Accounting Standards include International Financial Reporting Standards as adopted in Australia. Compliance with the International Financial Reporting Standards as adopted in Australia ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (‘IFRS’). The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars and rounded to the nearest dollar, unless otherwise noted.

Going Concern

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

For the year ended 30 June 2016 the company had current assets of $202,313 versus current liabilities of $333,140 representing negative working capital balance. During the financial year, the consolidated entity has incurred a loss after tax for the year ended 30 June 2016 of $16,589,423 including a $15,829,445 impairment of capitalised exploration and evaluation assets in NSW and QLD. Since December 2015 the company substantially reduced its ongoing expenses by reducing the number of staff and contractors and ceasing drilling activities at the Forsayth Project. The company is in continued discussions with sophisticated investors in relation to providing additional funding with several groups visiting the company’s main project areas in February 2016. While these discussions are occurring all costs are being kept to minimum and the Chairman of the company Mr. Wang and Director Mr. Zhang propose at the next Annual General Meeting(AGM) subject to shareholder approval, to convert their loans to new ordinary shares in the company. In addition, Mr. Wang and Mr. Zhang have committed $500,000 of funds to assist the company in meeting its ongoing cash commitments as and when required. In September 2016, Mr. Wang and Mr. Zhang made further loans to the company of $500,000, which brought positive cash flow to the company.

Based on the above and cash flow projection, the Directors believe the going concern assumption is appropriate for preparation of the financial statements.

2. Significant accounting policies

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(c) Employee benefits

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

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the end of the reporting period.

<u>Defined contribution plans</u>

Contributions to defined contribution superannuation plans are expensed when incurred.

(d) Financial assets

Financial assets are recognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Loans, receivables and environmental bonds

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(e) Exploration and evaluation assets

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

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale;

or

(b) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measure of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

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

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

(f) Impairment of tangible and intangible assets other than exploration and evaluation assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(h) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including leasehold improvements.

Depreciation is calculated on a diminishing value and straight line basis so as to write off the net cost amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis.

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

The following useful lives are used in the calculation of depreciation

Plant and equipment	3 - 7 years	Diminishing value method
Computer equipment	2.5 - 4 years	Diminishing value and straight line method
Motor vehicles	4 years	Diminishing value method
Property	10 years	Diminishing value method

(j) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(k) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Sale of Materials

Revenue from the sale of materials is measured at the fair value for the consideration received or receivable.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

(l) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of each reporting period.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financial activities which are recoverable from or payable to the taxation authority are presented as operating cash flows.

(n) Rounding of amounts

The company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

(o) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard required the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. This standard replaces AASB 118 Revenue, AASB 111 Construction Contracts and four Interpretations issued by the AASB and amends the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Standard requires an entity to recognise revenue on a basis that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, an entity shall apply all of the following steps:

a) identify the contract with a customer;

b) identify the separate performance obligations in the contract;

c) determine the transaction price;

d) allocate the transaction price to the separate performance obligations in the contract; and

e) recognise revenue when (or as) the entity satisfies a performance obligation.

Consequential amendments to other Standards are made by AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15. The mandatory application date of AASB 15 has been deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2015-8.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. This standard replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided the entity also applies AASB 15 Revenue from Contracts with Customers at or before the same date.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. This Standard amends AASB 112 *Income Taxes* to clarify the circumstances in which the recognition of deferred tax assets may arise in respect of unrealised losses on debt instruments measured at fair value.

AASB 2016-2 Amendments to Australian Accounting Standards –Disclosure Initiative: Amendments to AASB 107

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. This Standard amends AASB 107 *Statement of Cash Flows* to include additional disclosures and reconciliation relating to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes

(p) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Exploration and evaluation assets</u>

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made. As the asset is not available for use it is not depreciated or amortised.

<u>Impairment of capitalised exploration and evaluation expenditure</u>

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

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Key estimates

<u>Tax losses</u>

The company has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the company will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

<u>Recovery of deferred tax assets</u>

Deferred tax assets are recognised for deductable temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(q) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

	Consolidated 2016 $	2015 $
3. Revenue and expenses		
(a) Revenue and other income		
Revenue from continuing operations consisted of:		
Interest from bank deposits	**6,685**	12,979
Other income*	**-**	35,755
Total Revenue	**6,685**	48,734
2015 Other income - Government fuel rebate		
(b) Loss before income tax		
Loss before income tax has been arrived at after (crediting)/charging the following expenses from continuing operations:		
Depreciation of plant and equipment	**8,927**	18,188
Bad and doubtful debts	**-**	-
Employee benefits	**28,468**	214,280
Share options	**-**	-
Superannuation	**3,654**	35,149
Total Employee benefit expense	**32,122**	249,429

4. Income Taxes		
Income tax recognised in profit or loss	**-**	**-**
Tax expense comprises:		
Current tax benefit		
Deferred tax expense relating to the origination and reversal of temporary differences	**-**	**-**
Total tax benefit	**-**	**-**

The prima facie income tax expense on pre-tax accounting losses from operations reconciles to the income tax expense in the financial statements as follows:

Loss from operations	**(16,589,423)**	(3,979,937)
Income tax benefit calculated at 30% (2015: 30%)	**(4,976,827)**	(1,193,981)
Add/(less) tax effect of		
Tax effect of amounts which are not deductible/(taxable)	**4,758,803**	876,792
Add reversal of prior year adjustments		
- Over provision for income tax in prior years	**-**	-
- R & D Tax Offset	**-**	-
Unused tax losses not recognised as deferred tax assets	**218,024**	317,189
Total	**-**	-

	Consolidated 2016 $	2015 $
(a) Deferred tax assets not brought to account, the benefits of which will only be realised if certain conditions for deductibility occur:		
- Unused tax losses	**17,189,857**	16,463,112
Potential tax benefit at 30% (2015: 30%)	**5,156,957**	4,938,934

The benefit of these losses has not been brought to account at 30 June 2016 because the directors do not believe it is appropriate to regard realisation of the deferred tax asset as being probable at this point in time or that there are sufficient deferred tax liabilities to offset these losses. These tax losses are also subject to final determination by the Taxation authorities when the Group derives taxable income. The benefits will only be realised if:

(a) The company and its subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit of the deduction for the losses to be realised;

(b) The company and its subsidiaries continue to comply with the conditions for the deductibility imposed by law; and

(c) No changes in the tax legislation adversely affect the company and its subsidiaries in realising the benefit of the losses.

5. Earnings per share

The following reflects the income and share data used in calculating basic and diluted earnings per share:

	2016	2015
Net loss	**(16,589,423)**	(3,979,937)
Basic earnings per share (cents per share)	**(2.28)**	(0.58)
Diluted earnings per share (cents per share)	**(2.28)**	(0.58)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**726,337,081**	690,686,856

As at 30 June 2016, the Company has no options (2015: Nil) over unissued capital on issue.

6. Other Receivables

	2016	2015
GST receivable (net)	**6,450**	3,229
Prepayments	**-**	31,842
	6,450	35,071

	Consolidated 2016 $	2015 $
7. Other Assets		
Current Assets		
Office Rental Bond	**10,208**	-
Bond - Donsglen P Storage	**120**	-
Security Deposits	**10,000**	150
	20,328	150
Non-Current Assets		
Office Rental Bond	-	10,208
Deposits – environmental bonds	**334,588**	331,607
Total Other Assets	**334,588**	341,815
8. Plant and Equipment		
Plant and equipment – at cost	**192,230**	192,230
Less: Accumulated depreciation	**(139,411)**	(126,203)
	52,819	66,027
Office equipment – at cost	**88,264**	88,264
Less: Accumulated depreciation	**(60,463)**	(51,536)
	27,801	36,728
Motor vehicles – at cost	**47,057**	47,057
Less: Accumulated depreciation	**(36,105)**	(33,015)
	10,952	14,042
Leasehold improvements – at cost	**44,523**	44,523
Less: Accumulated depreciation	**(36,653)**	(26,486)
	7,870	18,037
Property – at cost	**201,870**	201,870
Less: Accumulated depreciation	**(92,601)**	(80,460)
	109,269	121,410
	208,711	256,244

	Plant and equipment $	Office equipment $	Motor vehicles $	Leasehold improvements $	Property $	Total $
Consolidated						
Balance at 1 July 2014	142,797	44,346	32,277	8,855	134,898	363,173
Additions	-	3,953	-	17,500	-	21,453
Depreciation expense	-	(11,643)	-	(6,545)	-	(18,188)
Write-off of asset stolen	(47,190)	72	(12,148)	-	-	(59,266)
Depreciation expense (Exploration & evaluation assets)	(29,580)	-	(6,087)	(1,773)	(13,488)	(50,928)

Balance at 1 July 2015	66,027	36,728	14,042	18,037	121,410	256,244
Additions	-	-	-	-	-	-
Depreciation expense	-	(8,927)	-	-	-	(8,927)
Write-off of asset stolen	-	-	-	-	-	-
Depreciation expense (Exploration & evaluation assets)	(13,208)	-	(3,090)	(10,167)	(12,141)	(38,606)
Balance at 30 June 2016	52,819	27,801	10,952	7,870	109,269	208,711

The following useful lives are used in the calculation of depreciation

Plant and equipment	3 - 7 years	Diminishing value method
Computer equipment	2.5 - 4 years	Diminishing value and straight line method
Motor vehicles	4 years	Diminishing value method
Property	10 years	Diminishing value method

	Consolidated	
	2016	**2015**
	$	**$**
9. Exploration and evaluation assets		
Balance at beginning of the year	**17,595,801**	18,410,740
Additions	**173,644**	2,073,348
Reclassification	**-**	-
Impairment	**(15,829,445)**	(2,888,287)
Balance at year end	**1,940,000**	17,595,801

During the financial year the group reassessed the recoverable value of all tenement areas of interest to which exploration costs had been capitalised. The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment

The tenements are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds it recoverable amount. In 2016, impairment cost amounting to $15,829,445 was for the tenements in NSW and in QLD which was revaluated by the GEOS Mining minerals Consultants.

	Consolidated 2016 $	Consolidated 2015 $
10. Trade and other payables		
Current liabilities		
Trade payables (i)	**250,494**	209,735
Other creditors/accrued expenses (ii)	**73,691**	369,538
Loan from directors	**-**	53,978
	324,185	633,251

Terms and conditions relating to the above financial instruments:

(i) Trade payables are non-interest bearing and are generally settled on 30 day terms

(ii) Other Creditors/Accrued Expenses are non-interest bearing and have an average term of 30 days.

Other Non-Current payables

Loans from Directors (i)	**1,629,585**	363,682

(i) Interest bearing loans from directors at agreed interest rate. Not payable for the 12-month period from date of the financial report as per shareholder confirmations.

11. Issued Capital

(a) Issued and paid up capital Ordinary shares fully paid	**37,588,814**	37,588,669

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the same of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(b) Movements in shares on issue

	Year Ended 30 June 2016		Year ended 30 June 2015	
	Number of Shares Issued #	**Issued Capital $**	**Number of Shares Issued #**	**Issued Capital $**
Beginning of the financial year	**726,323,148**	**37,588,669**	625,171,270	36,576,567
Movements during the year				
Right Issues	**14,446**	**145**	101,151,878	1,012,102
Less: cost of placement	**-**	**-**	-	-
Closing balance	**726,337,594**	**37,588,814**	726,323,148	37,588,669

	Consolidated 2016 $	Consolidated 2015 $

12. Notes to Statement of Cash Flows

(a) Reconciliation of loss after tax to net cash flows from operations

	2016 $	2015 $
Net loss for the period	**(16,589,423)**	(3,979,938)
Bad debt	**-**	1,890
Loss on disposal/stolen of non-current asset	**-**	59,265
Depreciation of property, plant and equipment	**8,927**	18,188
Impairment of exploration asset	**15,829,445**	2,888,287
Changes in assets and liabilities		
(Increase)/Decrease in receivables	**28,621**	3,880
(Decrease)/increase in creditors	**(157,088)**	12,588
Increase/(Decrease) in employee provisions	**(931)**	(56,374)
Net cash used in operating activities	**(880,449)**	(1,052,214)

(b) Reconciliation of cash

	2016 $	2015 $
Cash and cash equivalents comprise:		
Cash on hand and at call	**175,535**	89,903

13. Provisions

	2016 $	2015 $
Current provisions include accrued leave as a part of employee benefits		
Opening balance at the beginning of the year	**9,886**	66,260
Add: Additions	**5,863**	9,886
Less: Amounts used	**(6,794)**	(66,260)
Balance at the end of the year	**8,955**	9,886

	2016 $	2015 $

14. Commitments for expenditure

(a) Exploration expenditure commitments

The commitments detailed below are the required expenditure to maintain ownership of the tenements or as required by service contracts entered into by the company.

	2016 $	2015 $
Not longer than 1 year	**292,000**	294,000
Longer than 1 year and not longer than 5 years	**594,000**	200,000
Longer than 5 years	**-**	-
	886,000	494,000

(b) Lease commitments

Operating lease commitments are disclosed in note (c) below. There are no finance lease liabilities.

(c) Other expenditure commitments

<u>Property Lease</u>

	2016 $	2015 $
Not longer than 1 year	**65,710**	69,403
Longer than 1 year and not longer than 5 years	**13,800**	20,154
Longer than 5 years	**-**	-
	79,510	89,557

15. Financial instruments

The Board of Directors is responsible for monitoring and managing the financial risk exposures of the group, to which end it monitors the financial risk management policies and exposures and approves financial transactions and reviews related internal controls within the scope of its authority. The Board has determined that the only significant financial risk exposure of the group is liquidity. Other financial risks are not significant to the group due to the following:

- It has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars;
- It has no significant outstanding unimpaired receivable balances that have a credit risk;
- Its mining operations are in the exploration phase and therefore have no direct exposure to movements in commodity prices;
- All of its interest bearing liabilities are held at amortised cost which have fair values that approximate their carrying values as all payables have interest rate yields consistent with current market rates;
- The majority of the group's financing is from equity instruments;
- The group has no externally imposed capital requirements; and
- Interest bearing loans from directors, are not required to be repaid within 12 months from date of the financial report.

	Consolidated 2016 $	2015 $
(a) Categories of financial instruments		
Financial assets		
Loans and receivables	**6,450**	35,071
Cash and cash equivalents	**175,535**	89,093
Financial liabilities		
Trade and other payables	**324,185**	633,251
Borrowings	**-**	-
Other non-current payables	**1,629,585**	363,682

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient cash balances to meet obligations as and when they fall due.

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated Liabilities

	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	1-5 years $
2016					
Finance lease liability	-	**-**	**-**	**-**	**-**
Trade and other payables	-	**15,072**	**18,964**	**290,149**	**-**
Secured borrowings	-	**-**	**-**	**-**	**-**
Other long term payables	6.35%	**-**	**-**	**-**	**1,629,585**
		15,072	**18,964**	**290,149**	**1,629,585**
2015					
Finance lease liability	-	**-**	**-**	**-**	**-**
Trade and other payables	-	**58,894**	**85,178**	**489,179**	**-**
Secured borrowings	-	**-**	**-**	**-**	**-**
Other long term payables	7.14%	**-**	**-**	**-**	**363,682**
		58,894	**85,178**	**489,179**	**363,682**

16. Share-based payments

There were no share-based payments during the year ended 30 June 2016 (2015: Nil).

	Consolidated 2016 $	2015 $
17. Key management personnel compensation		
Short-term employee benefits	**196,000**	412,031
Post-employment benefits	**-**	18,617
Short-term non-monetary benefits	**-**	-
Termination benefits	**-**	-
	196,000	430,918

Year ended 30 June 2016	**Short Term Benefits**	**Post Employment Benefits**	**Share Based Payment**	**Short term non-monetary benefits**	**Termin-ation Benefits**	**Total**
	Salary and fees	Super-annuation	Options			
	$	$	$	$	**$**	**$**
Directors						
Xiao Jing Wang	100,000	-	-	-	-	100,000
Jia Yu	48,000	-	-	-	-	48,000
Jianbing Zhang	48,000	-	-	-	-	48,000
	196,000	-	-	-	-	196,000

Year ended 30 June 2015	**Short Term Benefits**	**Post Employment Benefits**	**Share Based Payment**	**Short term non-monetary benefits**	**Termin-ation Benefits**	**Total**
	Salary and fees	Super-annuation	Options			
	$	$	$	$	**$**	**$**
Directors						
Xiao Jing Wang	100,000	-	-	-	-	100,000
Edward McCormack	37,548	1,140	-	-	-	38,688
Jia Yu	48,000	-	-	-	-	48,000
Jianbing Zhang	48,000	-	-	-	-	48,000
Matthew Bull	65,053	7,425	-	-	-	72,478
Graeme Fraser	63,700	6,052	-	-	-	69,752
John Zee	50,000	4,000	-	-	-	54,000
	412,301	18,617	-	-	-	430,918

(a) Remuneration options: granted and vested during the period

There were nil options issued during the reporting period (2015: Nil) relating to key management personnel.

(b) Shares issued on exercise of remuneration options

No shares were issued in the exercise of remuneration options during the reporting period relating to key management personnel (2015: Nil).

(c) Shareholdings of key management personnel

Year ended 30 June 2016 Ordinary Shares	Balance 1 July 2015 No.	Granted as Remuneration No.	On Exercise of Options No.	Purchases /(Sales) No.	Balance 30 June 2016 No.
Xiao Jing Wang	130,449,969	-	-	-	130,449,969
Jia Yu	6,666,667	-	-	-	6,666,667
Jianbing Zhang	129,591,500	-	-	-	129,591,500
Total	266,708,136	-	-	-	266,708,136

Year ended 30 June 2015 Ordinary Shares	Balance 1 July 2014 No.	Granted as Remuneration No.	On Exercise of Options No.	Purchases /(Sales) No.	Balance 30 June 2015 No.
Xiao Jing Wang	102,837,476	-	-	27,612,493	130,449,969
Jia Yu	5,000,000	-	-	1,666,667	6,666,667
Jianbing Zhang	129,591,500	-	-	-	129,591,500
Total	**237,428,976**	**-**	**-**	29,279,160	**266,708,136**

18. Related party transactions

(a) Transactions with key management personnel and related parties

The Company accrued directors' fees of $148,000 (2015:$148,000) to WY International Pty Ltd, a company controlled by Xiao Jing Wang and Jia Yu. The Company accrued directors' fees of $48,000 (2015:$48,000) to Jianbin Zhang.

	2016	2015
(b) Loans from directors and related parties:		
Mr Xiao Jing Wang (non-current)	956,220	262,857
Mr Jianbing Zhang (non-current)	379,365	100,825
Mr Edward McCormack	-	53,978
Unpaid director fees(non-interest bearing)	294,000	98,000
Total	1,629,585	515,660

19. Segment information

The Group operates in two geographical areas – in New South Wales and Queensland, Australia. The Group carries out exploration for, and development of gold associated minerals in these areas. Segment information is presented using a "management approach", being segment information provided for internal reporting purposes used by the management.

Description of Segments

Management has determined the operating segments based on reports reviewed by management for making strategic decisions. Management comprises the directors, company secretary, divisional managers and external accountant. Management monitors the business based on the stage of exploration and development and geographic location of tenements. This has resulted in the identification of the following 2 reportable segments:

Forsayth Project (Queensland)

Forsayth is the company's flagship project and it has already established a base at the town with mining infrastructure established on site. The company's two Mining Leases and one Exploration Permit for Minerals cover a number of small but high grade gold reefs.

NSW Exploration Licences

In NSW, the company has four exploration licences ("EL"s) in the Lachlan Fold Belt, a region that has a very rich gold and copper endowment.

The Honeybugle Project EL7041 is prospective for nickel-cobalt-platinum mineralisation associated with a mafic intrusive complex. The Puggoon Project EL7155 has good potential for polymetallic skarn mineralisation associated with a granite intrusion and base metal mineralisation within volcanics. The Sofala Project EL7423 is noted for historical gold production and holds excellent potential for high grade gold deposits. The Karangi Project EL8402 contains numerous high grade gold workings and has good potential for the discovery of an economic gold deposit.

Other operations

Other operations consist of the Group's Head Office expenses, and corporate expenses that cannot be directly attributed to the operation of the Consolidated Entity's operating segment.

	QLD Forsayth $	NSW Exploration $	Other Operations $	Total $
Year ended 30 June 2016				
Total segment revenue	-	-	6,685	6,685
Segment result	(15,150,487)	(678,958)	(759,978)	(16,589,423)
Segment assets	1,144,281	1,321,337	219,994	2,685,612
Segment liabilities	-	-	1,962,725	1,962,725
Year ended 30 June 2015				
Total segment revenue	-	-	48,734	48,734
Segment result	(26,467)	(2,888,287)	(1,065,183)	(3,979,937)
Segment assets	16,062,922	1,734,357	521,705	18,318,984
Segment liabilities	-	-	1,006,819	1,006,819

	Consolidated 2016 $	Consolidated 2015 $
20. Remuneration of auditors		
Audit and review of financial statements		
Nexia Melbourne Audit Pty Ltd	**33,000**	32,557
	33,000	32,557

21. Contingent Liabilities

Licenses

The following license is currently awaiting renewal:

- EL 7155: Awaiting renewal from 23 June 2016 — Lodged & Pending

22. Subsequent events

No matter or circumstance has arisen since 30th June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

23. Parent entity disclosures

Parent entity

Australia United Mining Limited is the parent entity.

(1) The following information is the disclosures pertaining to the parent entity:

	Parent 2016 $	Parent 2015 $
Current Assets	**202,313**	125,124
Total Assets	**2,685,612**	18,318,984
Current Liabilities	**333,140**	1,000,819
Total Liabilities	**1,962,725**	1,000,819
Issued Capital	**37,588,814**	37,588,669
Options reserve	**-**	-
Accumulated losses	**(36,865,927)**	(20,276,504)
Total Equity	**722,887**	17,312,165
Total loss	**(16,589,423)**	(3,979,937)
Total comprehensive income	**(16,589,423)**	(3,979,937)

(2) Commitments for expenditure for Parent Entity

(a) Exploration expenditure commitments

The commitments detailed below are the required expenditure to maintain ownership of the tenements or as required by service contracts entered into by the company.

Not longer than 1 year	**292,000**	294,000
Longer than 1 year and not longer than 5 years	**594,000**	200,000
	886,000	494,000

(b) Lease commitments

Operating lease commitments are disclosed in note (c) below. There are no finance lease liabilities.

(c) Other expenditure commitments

<u>Property Lease</u>

Not longer than 1 year	**65,710**	69,403
Longer than 1 year and not longer than 5 years	**13,800**	20,154
Longer than 5 years	**-**	-
	79,510	89,557

24. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries:

Name	Principal place of business/ Country of incorporation	Ownership Interest 2016	Ownership Interest 2015
Icarus Mines Pty Ltd	Australia	100%	100%
Fortius Mines Pty Ltd	Australia	100%	100%

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, remuneration report and accompanying notes, are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date.

2. The group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

On behalf of the directors

Xiao Jing Wang
Executive Chairman
7th October 2016

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Independent Auditor's Report to the Members of Australia United Mining Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's 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*.

Independent Auditor's Report to the Members of Australia United Mining Limited

Opinion

In our opinion:

(a) the financial report of Australia United Mining Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and 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 consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred an after tax loss of $16,589,423 for the year ended 30 June 2016 and, as of that date; the company's current liabilities exceeded its current assets. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

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

Opinion

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

Nexia

Nexia Melbourne Audit Pty Ltd
Melbourne

Richard S. Cen
Director

7th October 2016

Additional ASX Information (Unaudited)

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information set out below was applicable as at 30 September 2016.

SUBSTANTIAL HOLDERS

As at the Reporting Date, the names of the substantial holders of Australia United Mining Limited and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to Australia United Mining Limited, are as follows:

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities held	% of total Issued securities capital
Xiao Jing Wang	Ordinary shares	130,449,969	17.96
Jianbing Zhang	Ordinary shares	129,591,500	17.84
Chao Ma	Ordinary shares	66,666,600	9.18
Shandong Gold Pty Ltd	Ordinary shares	61,072,709	8.41

NUMBER OF HOLDERS

As at the Reporting Date, the number of holders of ordinary shares (being the only class of equity securities on issue in AUML) is as follows:

Class of Equity Securities	Number of holders
Ordinary Shares	348

VOTING RIGHTS OF EQUITY SECURITIES

The only class of equity securities on issue in the Company is ordinary shares.

At a general meeting of Australia United Mining Limited, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 - 1,000	4	247	0.00
1,001 - 5,000	2	9,550	0.00
5,001 - 10,000	35	340,944	0.05
10,001 - 100,000	152	6,528,473	0.90
100,001 - 9,999,999,999	155	719,458,380	99.05
Rounding			0.00
Total	348	726,337,594	100.00

Less than marketable parcels of ordinary shares

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting Date is as follows:

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.0030 per unit	166,667	209	9,027,715 `

Twenty largest shareholders

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Holder Name	Balance as at Reporting Date	%
MR JIANBING ZHANG	127,091,500	17.50
WY AUSTRALIA INVESTMENT PTY LTD <WY FAMILY A/C>	80,000,000	11.01
CHAO MA	66,666,600	9.18
SHANDONG GOLD PTY LTD	61,072,709	8.41
XINHUA GENG	33,333,300	4.59
EVER RESOURCES PTY LTD <EVER RESOURCES FAMILY A/C>	26,666,667	3.67
KENG CHUEN THAM	22,500,000	3.10
MR ALEXANDER KING <LAIMA A/C>	21,337,083	2.94
RYL NOMINEES PTY LTD <THE RYL FAMILY A/C>	21,298,092	2.93
FANGFA HAN	20,091,351	2.77
MIGHTY INVESTMENT PTY LTD <MIGHTY INVEST FAMILY A/C>	14,872,973	2.05
ROBERT MCLENNAN <NATIONWIDE MINERALS S/F A/C>	13,500,000	1.86
MR XIAOJING WANG	13,333,334	1.84
STREAMFO INTERNATIONAL COMPANY LTD	12,500,000	1.72
W ASSETS GROUP LIMITED	12,500,000	1.72
BEST EXPAND INVESTMENTS LIMITED	10,500,000	1.45
MR XIAOJING WANG	10,449,968	1.44
ABUNDANT WISDOM LTD	9,375,000	1.29
MR TREVOR NEIL HAY	6,759,722	0.93
JIA YU	6,666,667	0.92
Total number of shares of Top 20 Holders	**590,514,966**	**81.30**
Total Remaining Holders Balance	**135,822,628**	**18.70**

Company Secretary

The Company's secretary is Ms Jing Yuan.

Registered Office

The address and telephone number of the Company's registered office are:

Suite 6, Level 14, 97-99 Bathurst Street
Sydney, NSW 2000
Telephone: +61 2 9264 8504

Share Registry

The address and telephone number of the Company's share registry, Computershare Registry Services, are:

Street Address:
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Postal Address:
GPO Box 242
Melbourne Victoria 3001

Telephone: 1300 787 272

Stock Exchange Listing

Australia United Mining Limited's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: AYM).

Voluntary escrow

There are no securities on issue in Australia United Mining Limited that are subject to voluntary escrow.

On-market buyback

The Company is not currently conducting an on-market buy-back.

Item 7 issues of securities

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

On-market purchase of securities under employee incentive scheme

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme; or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.