LACONIA

Annual Report 2015

Corporate Information
ABN 29 137 984 297

Directors

Gary Castledine, Non-Executive Chairman
Neville Bassett, Non-Executive Director
Peter Fox, Non-Executive Director

Company Secretary

Neville Bassett

Registered Office

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Auditor

Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Avenue
West Perth WA 6000

Share Registry

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Stock Exchange Listing

Laconia Resources Limited shares are listed on the Australian Securities Exchange (ASX Code: LCR, LCROA)

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Annual Report for the year ending 30 June 2015

DIRECTORS' REVIEW OF ACTIVITIES

Kimsa Orcco Project – Peru

(Patacancha Tenements – 100% Laconia: Subject to sale))

The Kimsa Orcco Project is located approximately 500km southeast of the Peruvian capital, Lima, in the southern part of the country.

During the year work completed included:

- Interpretation and reporting on the northern Kimsa Orcco prospect spectral analysis of rock chip sample results and stream sample results;
- Further scoping and costing of geophysical work;
- Completion of project evaluation following completion of the historical dataset review;
- Confirmation of Kimsa Orcco drill permit validity after administrative appeal dismissed; and
- Continued planning for maiden drill program.

Following a review of all data and the Company's operations in Peru, in June 2015, the Company entered into a binding letter agreement with Andes Exploration of Peru Numero Dos Sac (**Andes**) and Sallka Uno Y Dos Sac (**Sallka**) (**Agreement**) for the disposal of Laconia's Peruvian mineral interests, being the main undertaking of the Company (**Disposal**).

The Peruvian tenement portfolio comprises the Kimsa Orcco Project:

- Patacancha N° 1;
- Patacancha N° 2;
- Patacancha N° 3; and
- Patacancha N° 4.

In March 2015, Laconia terminated its option agreement to acquire an 80% ownership interest in Andes and Sallka (**Option Agreement**), companies holding 11 licences in Ayacucho, Peru. The Andes and Sallka licences are contiguous to the Patacancha tenement package.

As a result of the termination of the Option Agreement there has been numerous claims made by Andes and Sallka pursuant to the Option Agreement. The proposed Disposal will satisfy all potential claims and will allow the Company to focus on reinvigorating the Company.

The Company undertook a review of its entire tenement portfolio, both in Peru and Australia, and is also currently assessing new project opportunities that the Board believes will add shareholder value.

The Company has limited cash resources to undertake any meaningful exploration programmes and, on review, limited opportunity to raise new capital without a change of focus.

The Directors therefore resolved that it is in the best interests of the Company to exit from Peru.

Key Terms

The key terms of the Disposal are as follows:

(i) Completion of the Disposal is subject to and conditional on:

   (a) the Company obtaining shareholder approval for the Disposal pursuant to ASX Listing Rule 11.2; and

   (b) completion of formal agreements.

(ii) The consideration for the Disposal will comprise:

   (a) The sum of US$250,000 to be satisfied by the release of all claims by Andes and Sallka under the option agreement;

   (b) A net smelter royalty of 1.2% and

   (c) A right for Andes and Sallka to buy-back the 1.2% net smelter royalty for a total amount of US$5 million.

Shareholders approved the Disposal at a general meeting held on 20 August 2015. The parties are now in the process of finalising a formal agreement and any ancillary documents required to give effect to the Disposal as soon as practicable.

701 Mile Project – Precious and Base Metals, Pilbara WA

(E52/2688 – 80% Laconia: mineral rights excluding manganese and iron and 70% Laconia: manganese and iron rights)

Limited field work was carried out during the year.

Goldsworthy Project – Base Metals, Pilbara WA

(E45/3904 – 100% Laconia)

During the year, the Company received notice that Independence Group NL (Independence) had decided to leave the earn-in arrangement. In addition to the work undertaken by Independence, limited work was undertaken by the Company during the period.

Corporate

- In August 2014 the company closed a pro-rata entitlements rights issue to shareholders raising an amount of $234,553 through the issue of 46,910,568 ordinary shares, each with one free attaching 6 cent option expiring on 30 September 2018.

- In May 2015, the Company reached agreement for the issue of unsecured convertible notes ("Notes") to raise an amount of $200,000.

  The principle terms of the Notes, conversion of which will be subject to shareholder approval, are as follows:

Face Value:	$1.00 per Note
Redemption Date:	24 months from date of issue
Conversion Price:	Convertible into ordinary fully paid shares at an issue price $0.001 per share
Conversion Period:	A noteholder may convert at any time prior to the Redemption Date.
Interest Rate:	12%

  Shareholders approved the issue of the Notes at a general meeting held on 20 August 2015. On 2 September 2015, the Company issued 200,000,000 shares at an issue price of $0.001 per share on conversion of Notes with a face value of $200,000 and 4,629,495 shares in satisfaction of interest on the Notes.

- In March 2015, Laconia terminated its option agreement to acquire an 80% ownership interest in Andes and Sallka, companies holding 11 licences in Ayacucho, Peru. The Andes and Sallka licences are contiguous to the Patacancha tenement package.

- In June 2015, the Company entered into a binding letter agreement with Andes and Sallka for the disposal of Laconia's Peruvian mineral interests, being the main undertaking of the Company. Refer details under 'Kimsa Orcco Project'.

- In May 2015, the Board changed with the appointment of Mr Castledine, Mr Fox and Mr Bassett and the resignations of Mr Howison, Mr Stuart and Mr Edmondson.

In light of the Company's decision to exit Peru, as part of the ongoing review process the Company is looking at potential new mineral exploration project opportunities, as well as possible investment opportunities outside of the Company's existing principal activity of mineral exploration. Dependant on the nature and scale of any investment, the Company may be required, pursuant to ASX Listing Rules, to obtain shareholder approval to any transaction and to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Laconia Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015.

DIRECTORS

The names and details of the Company's directors in office during the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Gary Castledine (Non-Executive Chairman)

Mr Castledine has over 20 years' experience in stockbroking and capital markets. He was a founding director and the head of corporate with Indian Ocean Capital in Perth, Western Australia, a specialist boutique securities dealer and corporate advisory firm. Mr Castleldine is currently director/head of corporate with full service boutique stockbroking and investment firm CPS Capital Group Pty Ltd, established in June 2013 through the merger of Indian Ocean Capital and CPS Securities. Mr Castledine's experience has enabled him to gather an extensive suite of clients in a corporate advisory role which has seen him involved in many capital raisings and IPOs across a spectrum of industries. He is currently a member of the Stockbrokers Association of Australia. Mr Castledine became a Non-Executive Director on 7 May 2015.

In the three years prior to the current year, Mr Castledine was a director of ASX-listed Champion Iron Limited until 21 November 2012 and is currently a director of Vector Resources Ltd and Exoma Energy Ltd.

Neville Bassett AM B.Bus, FCA (Non-Executive Director)

Mr Bassett is a chartered accountant operating his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. Mr Bassett has been involved with numerous public company listings and capital raisings. His involvement in the corporate arena has also taken in mergers and acquisitions, and includes significant knowledge and exposure to the Australian financial markets. Mr Bassett has experience in matters pertaining to the *Corporations Act*, ASX listing requirements, corporate taxation and finance. Mr Bassett became a Non-Executive Director on 7 May 2015.

In the three years prior to the current year, Mr Bassett was a director of ASX-listed Champion Iron Limited until 13 August 2013 and is currently a director of Vector Resources Ltd, Exoma Energy Ltd, Ram Resources Ltd and Meteoric Resources NL.

Peter Fox (Non-Executive Director)

Mr Fox is a stockbroker and corporate advice professional specialising in micro-cap to mid-cap investment and venture capital funding. Perth based, Mr Fox has built an extensive international and domestic investment business advising retail and corporate clients. He enjoys strong relationships with a vast array of professionals working in the mineral resource and oil and gas industry. Mr Fox holds a post graduate qualification in Applied Finance.

Mr Fox became a Non-Executive Director on 7 May 2015.

Mr Fox has held no directorships in other listed entities during the three years prior to the current year.

Matthew Howison LLB, LLM, MBA

Mr Howison was a Non-Executive Director until 7 May 2015.

In the three years prior to the current year, Mr Howison was a director of ASX-listed Peak Oil & Gas Limited (formerly Raisama Limited) until 31 January 2013.

Ian Stuart, B.Sc (Geology) F.Fin, MAICD

Mr Stuart was the Managing Director until 7 May 2015.

Mr Stuart has held no directorships in other listed entities during the three years prior to the current year.

Matthew Edmondson, B.Com, CA, GIA

Mr Edmondson was a Non-Executive Director and the Company Secretary until 7 May 2015.

Mr Edmondson has not held any directorships in other listed entities during the three years prior to the current year.

COMPANY SECRETARY

Mr Bassett was appointed Company Secretary on 7 May 2015.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The following relevant interests in shares of the Company or a related body corporate were held by directors at the date of this report:

	Ordinary Shares	Listed Options (30 Sept 2018)	Unlisted Options (30 Sept 2018)
Directors			
Gary Castledine	13,028,251	11,834,417	Nil
Neville Bassett	3,200,000	6,250,000	Nil
Peter Fox	4,400,000	5,444,318	Nil

There were no share options or performance rights of Laconia Resources Limited that have been granted to directors of the Company with shareholder approval since 1 July 2014 and the date of this report as part of their remuneration.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period was the exploration of the Group's mineral tenements with the objective of identifying economic mineral deposits and the identification and evaluation of new venture and corporate opportunities.

DIVIDENDS

No dividends were paid or declared during the period. No recommendation for payment of dividends has been made.

OPERATING AND FINANCIAL REVIEW

Finance Review

The Group commenced the financial year with cash assets of $188,699.

During the period total exploration expenditure expensed by the Group amounted to $5,465,325 (2014: $551,530), which included $5,019,277 (2014: Nil) of capitalised tenement acquisition costs written off. In line with the Group's accounting policies, all exploration expenditure, other than acquisition costs, are written off as they are incurred. Net administration expenditure incurred amounted to $330,142 (2014: $862,661). This has resulted in an operating loss after income tax for the period ended 30 June 2015 of $5,803,005 (2014: $1,969,094). At 30 June 2015 cash assets available totalled $32,286.

Operating Results for the Period

Summarised operating results are as follows:

	2015	
	Revenues $	Results $
Revenues and loss from ordinary activities before income tax expense	102,601	(5,803,005)

Shareholder Returns

	2015	2014
Basic loss per share (cents)	(1.13)	(0.74)

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 23, have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations. The Group has divested its interests in Peru and future activities will be focused on the Group's Australian interests.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities in Western Australia and Peru. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the period under review.

REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Laconia Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The Board of Laconia Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000). Base fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Performance based remuneration

During the year, the Group did not issue incentive options or performance rights to directors or other key management personnel.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2015.

Voting and comments made at the Company's 2014 Annual General Meeting

The Company received approximately 76.5% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

The key management personnel of the Group comprise the directors who have authority and responsibility for planning, directing and controlling activities within the Group.

Given the size and nature of operations of the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Key management personnel of the Group

	Short-Term		Post-Employment		Share-based Payments	Total
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits		
	$	$	$	$	$	$
Directors						
Gary Castledine – Appointed 7 May 2015						
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
Neville Bassett – Appointed 7 May 2015						
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
Peter Fox – Appointed 7 May 2015						
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
Ian Stuart – Resigned 7 May 2015						
2015	**20,880**	-	-	-	-	**20,880**
2014	115,000	-	-	-	37,600	152,600
Matthew Howison – Resigned 7 May 2015						
2015	**1,500**	-	**135**	-	-	**1,635**
2014	8,250	-	763	-	37,600	46,613
Matthew Edmondson – Resigned 7 May 2015						
2015	**(4,569)**	-	**135**	-	-	**(4,434)**
2014	121,738	-	574	-	37,600	159,912
Vincent Algar – Resigned 28 January 2014						
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
Saliba Sassine – Resigned 8 November 2013						
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
Other Key Management Personnel						
Nil						
Total Key Management Personnel Remuneration						
2015	**17,811**	-	**270**	-	-	**18,081**
2014	244,988	-	1,337	-	112,800	359,125

During the year, directors' salaries and fees totalling $187,569 and superannuation of $4,455 were reversed. (refer 'Fees due to former Directors' below)

Service agreements

Ian Stuart

On 17 August 2009 the Company entered into an Executive Service Agreement with Mr Ian Stuart.

Under the Agreement, Mr Ian Stuart is engaged by the Company to provide services to the Company in the capacity of Managing Director and CEO.

Geological consultancy services were provided by Lucy Stuart during the year, on commercial terms through Eclectricity Pty Ltd. There is no formal contract for these services and the total charged for the financial year was $880 (2014: $14,467). Mrs Stuart is the spouse of Mr Ian Stuart, the Managing Director.

During the year ended 30 June 2014, the cash remuneration paid to the managing director was capped by agreement to $115,000.

Mr Stuart was entitled to a minimum notice period of six months from the Company and the Company is entitled to a minimum notice period of six months from Mr Stuart. By agreement between Mr Stuart and the Company the notice period was waived and Mr Stuart resigned on 7 May 2015. Mr Stuart waived all claims for outstanding fees, other than as detailed below.

Matthew Howison

On or about 17 August 2009, the Company entered into an agreement to appoint Mr Howison as a Non-Executive director. Effective 1 January 2014, Mr Howison agreed to vary his remuneration to $33,000 plus statutory superannuation per annum for his services as Non-Executive Chairman. The agreement provides for reimbursement of all reasonable expenses incurred when engaged in Laconia's business. The agreement does not provide for termination benefits. The appointment of Mr Howison is otherwise on terms that are standard for an appointment of this nature.

During the year by agreement, the Company suspended Non-Executive remuneration, both direct and indirect, covering the period 1 July 2013 until 31 December 2013.

By agreement between Mr Howison and the Company Mr Howison resigned on 7 May 2015 and waived all claims for outstanding fees, other than detailed below.

Matthew Edmondson

Effective 24 January 2014, the Company entered into an agreement to appoint Mr Edmondson as a Non-Executive director. The agreement provides for reimbursement of all reasonable expenses incurred when engaged in Laconia's business. The agreement does not provide for termination benefits. The appointment of Mr Edmondson is otherwise on terms that are standard for an appointment of this nature.

In addition, Regalriver Holdings Pty Ltd provides Mr Edmondson's services as Company Secretary and Chief Financial Officer to the Company on commercial terms under an agreement dated 4 July 2012. The contract provides for two months' notice in the case of termination.

Mr Edmondson was entitled to a minimum notice period of two months from the Company. By agreement between Mr Edmondson and the Company the notice period was waived and Mr Edmondson resigned on 7 May 2015. Mr Edmondson waived all claims for outstanding fees, other than as detailed below

Note: Fees due to former Directors
Pursuant to an agreement between the Company and former directors, Mr Stuart, Mr Howison and Mr Edmondson ("the former directors"), the former directors released the Company from all claims for directors' fees, salaries, consulting fees, loan funds and any other form of remuneration. In consideration for the release the Company agreed to pay the former directors the sum of $100,000, in aggregate, on or before 7 May 2016 (refer Note 11). The Company has also agreed, subject to any future re-compliance fundraising to issue the former directors ordinary fully paid shares to the value of $75,000.

Shareholdings of key management personnel

The number of ordinary shares in the Group held during the financial year by each director of Laconia Resources Limited and other key management personnel of the Group, including their personally related parties, is set out below.

	Balance at start of the year	Held at appointment	Acquired	Other changes during the year*	Balance at end of the year
Directors					
Gary Castledine	-	13,208,251	-	-	13,028,251
Neville Bassett	-	3,200,000	-	-	3,200,000
Peter Fox	-	4,400,000	-	-	4,400,000
Ian Stuart	13,278,000	-	4,485,658	(17,763,658)	-
Matthew Edmondson	2,150,000	-	1,535,715	(3,685,715)	-
Matthew Howison	2,875,000	-	-	(2,875,000)	-

Other key management personnel

Nil

***Other changes during the year represent shareholding at date of resignation.**

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Option holdings of key management personnel

The number of unlisted options over ordinary shares in the Company held during the financial year by directors of Laconia Resources Limited and other key management personnel of the Group, including their personally related parties, is set out below.

	Balance at start of the year	Granted as compensation	Acquired (Expired)	Other changes*	Balance at end of the year	Vested and exercisable	Unvested
Directors							
Gary Castledine	-	-	-	11,834,417	11,834,417	11,834,417	-
Neville Bassett	-	-	-	6,250,000	6,250,000	6,250,000	-
Peter Fox	-	-	-	5,444,318	5,444,318	5,444,318	-
Ian Stuart	20,400,000	-	(1,415,142)	(18,984,858)	-	-	-
Matthew Edmondson	11,200,000	-	(1,864,285)	(9,335,715)	-	-	-
Matthew Howison	10,400,000	-	(4,650,000)	(5,750,000)	-	-	-

Other key management personnel

Nil

***Other changes during the year represent option holding at date of appointment/resignation**

Share-based compensation

No share-based compensation was paid during the year.

In accordance with the terms of issue, 3,400,000 performance rights issued to each of Messrs Howison, Stuart and Edmondson were cancelled when they resigned during the period.

Shares provided on exercise of remuneration options.

During the financial year ended 30 June 2015 no remuneration options were exercised.

End of remuneration report.

DIRECTORS' MEETINGS

During the period the Company held meetings of directors. The attendance of directors at meetings of the Board were:

	Director's Meetings		Audit Committee Meetings	
	A	**B**	**A**	**B**
Gary Castledine	4	4	-	-
Neville Bassett	4	4	-	-
Peter Fox	4	4	-	-
Ian Stuart	9	9	-	-
Matthew Howison	9	9	1	1
Matthew Edmondson	9	9	1	1

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the period.

SHARES UNDER OPTION

At the date of this report there are 349,788,417 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	323,377,849
Movements of share options during the period	
Lapsed	(20,500,000)
Issued	46,910,568
Total number of options outstanding as at 30 June 2015 and the date of this report	**349,788,417**

The balance is comprised as follows:

Expiry date	Exercise price (cents)	Number of options
listed		
30 September 2018	6.00	343,788,417
unlisted		
30 September 2018	1.4	6,000,000
Total number of options outstanding at the date of this report		**349,788,417**

The following options lapsed during the year:

Original Expiry date	Exercise price (cents)	Number of options
unlisted		
30 September 2014	19.87	20,500,000
Total option lapsed		**20,500,000**

No shares in Laconia Resources Limited were issued during the year ended 30 June 2015 upon the exercise of options.

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors of Laconia Resources Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $21,789.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than the matters included in this Directors Report or elsewhere in the Annual Financial Report, future developments, business strategies and prospects of the Company and the expected results of those operations have not been disclosed as the Directors believe that their inclusion would most likely result in unreasonable prejudice to the Company.

NON-AUDIT SERVICES

No non-audit services have been provided by the Company's auditors, Rothsay Chartered Accountants.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the directors.

Gary Castledine
Chairman
Perth, 30 September 2015

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Laconia Resources Limited
PO Box 1151
West Perth WA 6872

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2015 financial statements; and

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

Rolf Garda (Lead auditor)

Rothsay

Dated 30th September 2015

ROTHSAY

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Phone (08) 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LACONIA RESOURCES LTD

Report on the financial report

We have audited the accompanying financial report of Laconia Resources Ltd ("the Company") which comprises the balance sheet as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flow state for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Audit opinion

In our opinion the financial report of Laconia Resources Ltd is in accordance with the *Corporations Act 2001*, including:

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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.

Audit opinion

In our opinion the remuneration report of Laconia Resources Ltd for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay Chartered Accountants

Rolf Garda
Partner

Dated 30th September 2015

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance statement of Laconia Resources Limited (the 'company') has been prepared in accordance with the 3rd Edition of the Australia Securities Exchanges ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations').

The Recommendations are guidelines and not prescriptions. The Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following all the Recommendations. If a company considers that a Recommendation is not appropriate to its particular circumstances, it has the flexibility not to adopt it.

The Board has adopted the best practice Recommendations as outlined by the Council to the extent that is deemed appropriate considering the current size and operations of the company.

This statement has been approved by the company's Board of Directors ('Board') and is current as at 30 September 2015.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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.

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations and strives to meet those expectations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The role of the Board is to oversee and guide the management of Laconia Resources Ltd with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of other stakeholders including employees and the wider community.

The Board has adopted a formal Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

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

The Board operates within the broad principles and responsibilities described in the following:

- Developing initiatives for profit and asset growth, setting strategic operational and financial objectives, and monitoring progress against those objectives;
- Acting on behalf of, and being accountableto, the shareholders;
- Identifying business risks and implementing actions to manage those risks and corporate systems to assure quality;
- Reviewing the corporate, commercial and financial performance of the Company on a regular basis; including
- Overseeing the Company's commitment to the health and safety of employees and contractors, the environment and sustainable development;
- Overseeing the activities of the Company, including its control and accountability systems;
- Appointing and removing the Managing Director, Company Secretary and other senior executives, evaluating performance, reviewing their remuneration and ensuring an appropriate succession plan;
- Ensuring that there are effective corporate governance policies and practices in place;
- Approving and monitoring budgets, capital management and acquisitions and divestments;

- Approving and monitoring all financial reporting to the market;
- Approving the issue of any shares, options, equity instruments or other securities in the Company;
- Appointment of external auditors and principal professional advisors; and
- Formal determinations that are required by the Company's constitutional documents or by law or other external regulation.

The Board's charter is available on the company's website at www.laconia.com.au.

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.

The company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Directors are appointed for a maximum term of three years. Retiring directors are not automatically re-appointed. The company provides to shareholders in the Notice of AGM relevant information for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The Board's charter, which is available on the company's website at www.laconia.com.au more fully sets out the specific responsibilities of the Board. Corporate expectations are set out in the directors' letters of appointment.

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

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives, where applicable, are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

Recommendation 1.5 - A listed entity 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 entity'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 either: (1) 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); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly, the Company has established a diversity policy which is available on the Company's website.

The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes, review and appointment of Directors. The Board is responsible for developing policies in relation to the achievement of measurable diversity objectives and the extent to which they will be linked to the Key Performance Indicators for the Board, Managing Director and senior executives.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

The Diversity Policy does not form part of an employee's contract of employment with the company, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the Diversity Policy forms a direction of the company with which an employee is expected to comply.

RESPONSIBILITIES

The Board is responsible for developing measurable objectives (and these will be developed when the Board believes that the Company has reached a level of development that warrants these objectives) and strategies to meet the Objectives of the Diversity Policy (**Measurable Objectives**). The Board is also responsible for monitoring the progress of the Measurable Objectives through the monitoring, evaluation and reporting mechanisms listed below. The Board may also set Measurable Objectives for achieving gender diversity and monitor their achievement.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

The Company's diversity strategies may include:

- recruiting from a diverse range of candidates for all positions, including senior executive roles and Board positions;
- reviewing pre-existing succession plans to ensure that there is a focus on diversity;
- encouraging female participation across a range of roles across the Company;
- reviewing and reporting on the relative proportion of women and men in the workforce at all levels of the Company;
- articulating a corporate culture which supports workplace diversity and in particular, recognizes that employees at all levels of the Company may have domestic responsibilities;
- developing programs to encourage a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development; and
- any other strategies that the Board or the Nomination Committee develops from time to time.

At the date of this report the Company has no executives or full-time employees. No women are currently represented on the Board.

Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the Company grows the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.

MONITORING AND EVALUATION

The Chairman will monitor the scope and currency of this policy.

The company with oversight form the Board is responsible for implementing, monitoring and reporting on the Measurable Objectives.

Measurable Objectives if set by the Board will be included in the annual key performance indicators for the Chief Executive Officer / Chief Operations Officer and senior executives.

In addition, the Board will review progress against the Objectives (if set) as a key performance indicator in its annual performance assessment.

REPORTING

The Board may include in the Annual Report each year:

- the Measurable Objectives, if any, set by the Board;
- progress against the Objectives; and
- the proportion of women employees in the whole organisation, at senior management level and at Board level.

No entity within the consolidated entity is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators to be disclosed.

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.

The Board has not adopted any formal procedures for the review of the performance of the Board, however the Board has adopted an on-going self-evaluation process to measure its own performance, which is currently considered to meet the Board's obligations sufficiently.

The review process takes into consideration all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contributions to the overall management of the business. The self-evaluation process is focussed on objective and tangible criteria such as:

- Performance of the Company
- Accomplishment of long term strategic objectives
- Development of management
- Growth in shareholder value

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report;
- the annual general meeting and other meetings to obtain shareholder approval for Board actions as appropriate; and
- continuous disclosure in accordance with ASX Listing Rule 3.1 and the Company's continuous disclosure policy.

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.

The Board has not adopted any formal procedures for the review of the performance of senior executives, however the Board will, as required, adopt an on-going assessment process to measure senior executive performance, with outcomes utilised to determine senior executive remuneration.

At the date of this report the Company has no executives or full-time employees.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 - The board of a listed entity should (a) 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 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 nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The functions that would be performed by a nomination committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 2.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendations of candidates for new directors are made by the directors for consideration by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. If a candidate is recommended by a director, the Board assesses that proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director must retire at the next following General Meeting of Shareholders and will be eligible for election by shareholders at that General Meeting.

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.

In view of its size the Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. However, the individual directors and the Board as a whole recognise the importance for the Board to have the skills, knowledge, experience and diversity of background required to effectively steer the company over time in response to market developments, opportunities and challenges. The Board recognises certain core skills that are required for the Board to ensure effective stewardship of the company. These include business and strategic expertise, experience with financial markets, industry knowledge, accounting and finance skills, project management experience and personal ethics, attributes and skills. The current Board members represent individuals that have extensive business and industry experience as well as professionals that bring to the Board their specific skills in order for the company to achieve its strategic, operational and compliance objectives. Their suitability to the directorship has been determined primarily on the basis of their ability to deliver outcomes in accordance with the company's short and longer term objectives and therefore deliver value to shareholders.

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 of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Director's name	Appointment date	Length of service at reporting date	Independence status
Gary Castledine	7 May 2015	5 months	Independent – Non-Executive Chairman
Neville Bassett	7 May 2015	5 months	Independent – Non-Executive Director
Peter Fox	7 May 2015	5 months	Independent – Non-Executive Director

The Board has reviewed the position and associations of each of the directors in office at the date of this report and considers that Mr Gary Castledine, Mr Neville Bassett and Mr Peter Fox are independent non-executive directors. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

Having regard to the response to Recommendation 2.3 above, a majority of the Board is comprised of independent directors.

Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Chair is independent as disclosed in Recommendation 2.3.

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.

The company has, due to the Board's size, an informal induction process. New directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the company concerning performance of directors.

Directors receive a formal letter of appointment setting out the key terms and conditions relevant to that appointment. Generally, directors undertake their own continuing education.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 - A listed 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.

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

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

Securities Trading by Directors and Employees

Laconia Resources Ltd has adopted a Securities Trading Policy. The policy summarises the law relating to insider trading and sets out the policy of the company on directors, officers, employees and consultants dealing in securities of the company. The Securities Trading Policy is available on the company's website.

This policy is provided to all directors and employees and compliance with it is reviewed on an ongoing basis in accordance with the company's risk management systems.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN 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.

The functions that would be performed by an audit committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 4.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

However meetings are held throughout the year between the Board, the Company Secretary and the company's auditors to discuss the company's ongoing activities and any proposed changes prior to their implementation.

The Audit Committee is responsible for reviewing the integrity of the company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

Details of the qualifications and experience of the members of the Committee, being the full Board, are contained in the 'Information on directors' section of the Directors' report.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is Rothsay's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the Company to the auditor in respect of any potential liability to third parties.

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.

For the financial year ended 30 June 2015 and the half-year ended 31 December 2014, the company's CEO and CFO, or equivalents, 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.

A representative of the company's external audit firm attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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.

The company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's continuous disclosure obligations. Where any such persons are 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 policy provides the mechanism by which relevant market sensitive information that may have a material effect on the price of the company's securities is released to the ASX in a timely manner.

The Company Secretary has primary responsibility for the disclosure of material information to ASIC and ASX and maintains a procedural methodology for disclosure, as well as for record keeping.

The Board reviews the Company's compliance with this policy on an ongoing basis and will update it from time to time, if necessary.

The company's Continuous Disclosure Policy is available on its website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

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

The company maintains information in relation to corporate governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

Recommendations 6.2 and 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).

The company is committed to promoting effective communications with shareholders by ensuring they and the investment market generally are provided with full and timely disclosure of its activities and providing equal opportunity for all stakeholders to receive externally available information issued by the company in a timely manner. The company provides shareholders with periodic updates on its business. Shareholders are encouraged to communicate by electronic means and to participate at the Annual General Meeting, to ensure a high level of accountability and identification with the company's strategy and goals.

The company's Shareholder Communication Policy is available on its website.

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 communications 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, Security Transfer Registrars Pty Ltd at www.securitytransfer.com.au.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendations 7.1 & 7.2

The board of a listed entity should: (a) have a committee or committees 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 (7.1).

The board or a committee of 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 (7.2).

The functions that would be performed by a risk committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 7.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

The Board reviews risks to the company at regular Board meetings. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

The company manages material business risks under a risk management policy which is available on its website. There is an ongoing program to identify, monitor and manage compliance issues and material business risks with a view to enhancing the value of every shareholder's investment and safeguarding the company's investments. The Board reviews the identification, management and reporting of risk as part of the annual budget process. More frequent reviews are undertaken as conditions or events dictate.

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.

The Board has the responsibility for ensuring the effectiveness of risk management and internal compliance and control. As part of the review process the Board considers the extent to which the risk process has been successful in retrospect with regard to the identification and mitigation of risks. This is required at all times and the Board actively promotes a culture of quality and integrity.

The company does not have an internal audit function due to its size; however the company's procedures and policies are subject to regular review. The Board also liaises closely with the company's external auditor to identify potential improvements to the risk management and internal control procedures.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. Management practices have been established to ensure:

- The Company's operations are safe and conducted in accordance with all applicable laws including the applicable health and safety regulations;
- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled, including the potential use of derivatives;
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Material contracts are reviewed by qualified legal personnel and
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel;
- Financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- Environmental regulation compliance.

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.

The company does not believe it has any material exposure to economic, environmental and social sustainability risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration 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 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.

The functions that would be performed by a remuneration committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 8.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Details of the qualifications and experience of the members of the committee, being the full Board, is detailed in the 'Information on Directors' section of the Directors' report.

The Board oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Directors' Report. Detailed disclosure of the remuneration paid to the Company's directors and executives is set within the Remuneration Report section of this annual report.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and Directors are remunerated to a level consistent with the size of the Company.

In determining remuneration, the Board has taken a view that the full Board will hold special meetings or sessions as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

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.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Directors' Report.

The level of remuneration reflects the anticipated time commitments and responsibilities of the position having regard to the financial constraints on the company. Senior executives may be remunerated using combinations of fixed and performance based remuneration. Salaries are set at levels reflecting market rates having regard to the financial constraints on the company and performance based remuneration, when offered, will be linked to specific performance targets that are aligned to both short and long term objectives.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

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 a summary of it

The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2015	Notes	Consolidated	
		2015	2014
		$	$
REVENUE	4	**102,601**	**137,655**
EXPENDITURE			
Depreciation expense		**(16,649)**	**(113,739)**
Employee benefits expense		**(19,594)**	**(147,153)**
Exploration expenses		**(5,465,325)**	**(551,530)**
Administration expenses		**(330,142)**	**(862,661)**
Loss on sale of fixed assets		**(56,846)**	**-**
Other expenses		**(17,050)**	**(433,666)**
Share-based payments expense		**-**	**(112,800)**
LOSS BEFORE INCOME TAX		**(5,803,005)**	**(2,083,894)**
INCOME TAX BENEFIT/(EXPENSE)	6	**-**	**114,801**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF LACONIA RESOURCES LIMITED		**(5,803,005)**	**(1,969,093)**
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	25	**(1.13)**	**(0.74)**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015	Notes	Consolidated 2015	Consolidated 2014
		$	$
CURRENT ASSETS			
Cash and cash equivalents	7	32,286	188,699
Trade and other receivables	8	286,560	247,535
TOTAL CURRENT ASSETS		318,846	436,234
NON-CURRENT ASSETS			
Plant and equipment	9	20,343	92,016
Mining properties	10	425,600	5,444,877
Assets held for resale		89,346	82,777
TOTAL NON-CURRENT ASSETS		535,289	5,619,670
TOTAL ASSETS		854,135	6,055,904
CURRENT LIABILITIES			
Trade and other payables	11	212,545	175,411
Borrowings	12	55,000	-
TOTAL CURRENT LIABILITIES		267,545	175,411
NON-CURRENT LIABILITIES			
Borrowings	13	200,000	-
TOTAL NON-CURRENT LIABILITIES		200,000	-
TOTAL LIABILITIES		467,545	175,411
NET ASSETS		386,590	5,880,493
EQUITY			
Issued capital	14	16,311,777	16,086,820
Reserves	15(a)	2,123,512	2,039,367
Accumulated losses	15(b)	(18,048,699)	(12,245,694)
TOTAL EQUITY		386,590	5,880,493

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2015	Notes	Contributed Equity	Convertible Note	Share-based Payments Reserve	Options Reserves	Foreign Exchange Reserves	Accumulated Losses	Total
Consolidated		$	$	$	$	$	$	$
BALANCE AT 1 JULY 2013		13,686,486	649,090	1,258,826	450,000	-	(10,276,601)	5,767,801
Loss for the year	15(b)	-	-	-	-	-	(1,969,093)	(1,969,093)
TOTAL COMPREHENSIVE LOSS		-	-	-	-	-	**(1,969,093)**	**(1,969,093)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS								
Shares issued during the year	14	1,662,183	-	-	-	-	-	1,662,183
Convertible note converted to shares		738,151	(649,090)	-	-	-	-	89,061
Options issued		-	-	112,800	51,292	-	-	164,092
Foreign exchange movement		-	-	-	-	166,449	-	166,449
BALANCE AT 30 JUNE 2014		**16,086,820**	**-**	**1,371,626**	**501,292**	**166,449**	**(12,245,694)**	**5,880,493**
Loss for the year	15(b)	-	-	-	-	-	(5,803,005)	(5,803,005)
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**-**	**-**	**-**	**(5,803,005)**	**(5,803,005)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS								
Shares issued during the year	14	**234,553**	**-**	**-**	**-**	**-**	**-**	**234,553**
Convertible note converted to shares		**(9,596)**	**-**	**-**	**-**	**-**	**-**	**(9,596)**
Foreign exchange movement		**-**	**-**	**-**	**-**	**84,145**	**-**	**84,145**
BALANCE AT 30 JUNE 2015		**16,311,777**	**-**	**1,371,626**	**501,292**	**250,594**	**(18,048,699)**	**386,590**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2015	Notes	Consolidated	
		2015	2014
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(430,014)	(1,618,216)
Expenditure on mining interests		(406,880)	(1,623,726)
Research & development refund		-	114,801
Interest received		3,132	10,628
Other income		14,221	126,357
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	24(a)	(819,541)	(2,990,156)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		-	(28,864)
Proceeds from sale of plant and equipment		11,639	-
Proceeds from sale of mining properties		-	327,500
NET CASH INFLOW FROM INVESTING ACTIVITIES		11,639	298,636
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		425,000	-
Proceeds from issue of options net of option issue cost		-	45,793
Proceeds from issues of ordinary shares net of share issue cost		224,957	2,400,334
NET CASH INFLOW FROM FINANCING ACTIVITIES		649,957	2,446,127
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(157,945)	(245,393)
Cash and cash equivalents at the beginning of the financial year		188,699	434,092
Effects of exchange rate fluctuations on cash held		1,532	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	32,286	188,699

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Laconia Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency. Laconia Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 30 September 2015. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Laconia Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Laconia Resources Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Laconia Resources Limited ("Company" or "parent entity") as at 30 June 2015 and the results of all subsidiaries for the year then ended. Laconia Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Laconia Resources Limited.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Laconia Resources Limited.

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

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Laconia Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or 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 its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When re-valued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(m) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial year the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(o) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are presented as payables.

(p) Share-based payments

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

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

Options over ordinary shares have also been issued as consideration for the acquisition of interests in tenements and other services. These options have been treated in the same manner as employee options described above, with the expense being included as part of exploration expenditure.

(q) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(r) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(s) Goods and Services Tax (GST)

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

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

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

(s) New accounting standards and interpretations

New accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the reporting period ending 30 June 2015 are outlined in the following table.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9 (issued December 2014)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. Financial assets are measured at amortised cost or fair value through other comprehensive income if certain restrictive conditions are met. All other financial assets are measured at fair value through profit or loss. All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. The new impairment model in AASB 9 is based on an 'expected loss' model rather than an 'incurred loss' model. Entities are required to account for expected credit losses when financial instruments are first recognised. New hedge accounting requirements include changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.	1 January 2018	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CON'T)

Reference	Title	Summary	Application date of standard	Application date for Group
		The entity has financial assets classified as available for sale. When AASB 9 is first adopted, the entity will reclassify these into the fair value through profit or loss category. On 1 July 2018, the cumulative fair value changes in the available for sale reserve will be reclassified into retained earnings. The change is applied retrospectively, however comparatives need not be retrospectively restated. The cumulative effect of applying the change for the first time will be recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.		
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]	Amends AASB 11 *Joint Arrangements* to provide guidance on accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) The acquirer to apply all of the principles on business combinations accounting in AASB 3 *Business Combinations* and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) The acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to acquisitions of interests in joint operations.	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and 138)	Clarifies that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes use of an asset generally reflects factors other than the consumption of economic benefits embodied in an asset. The amendment also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The entity does not use revenue-based methods to calculate depreciation, so the amendment will have no effect.	1 January 2016	1 July 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	Allows entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment is not expected to affect the entity.	1 January 2016	1 July 2016

NOTES TO THE FINANCIAL STATEMENTS (CON'T)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Amends AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* to address an inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if those assets are housed in a subsidiary. There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to sales or contributions of assets occurring after the application date.	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a 5-step approach to revenue recognition: Step 1: Identify the contract(s) with the customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. The entity currently has no revenue from customers and hence has not yet made a detailed assessment of the impact.	1 January 2017	1 July 2017
AASB 2015-1	Amendment to Australian Accounting Standards – Annual Improvements 2012-2014 Cycle	Amendments include clarifying the discount rate to be used for post-employment benefit obligations and clarifying the meaning of "elsewhere in the financial report" for interim financial statements.	1 January 2016	1 July 2016
AASB 2015-2	Amendment to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in financial statements. They make clear that materiality applies to the whole of the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.	1 January 2016	1 July 2016

NOTES TO THE FINANCIAL STATEMENTS (CON'T)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality*	Completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 January 2015	1 July 2015
AASB 2015-4	Amendment to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	Aligns the relief available in AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* in respect of the financial reporting requirements for Australian groups with a foreign parent.	1 January 2015	1 July 2015

(u) Critical accounting judgements, estimates and assumptions

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(v) Going concern

The directors consider it is appropriate to prepare the consolidated entity's financial statement on a going concern basis and recognise that additional funding is required to ensure the consolidated entity can continue its operations for the next twelve months and to fund the continued development of the consolidated entity's exploration assets. This basis has been determined after consideration of the following factors:

- The ability to issue additional share capital under the Corporations Act 2001, if required, by a share purchase plan, share placement or rights issue;
- The option of farming out all or part of the consolidated entity's exploration projects; and
- The ability, if required to dispose of interests in exploration and development assets.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Board has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group has operations internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Peruvian Nuevo Sol.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The functional currency of the Group's foreign subsidiary companies is the Peruvian Nuevo Sol. All parent entity and Australian subsidiary entity balances are in Australian dollars and all Group balances are in either Australian dollars or Peruvian Nuevo Sol, so the Group has only minimal exposure to foreign currency risk at the reporting date.

(ii) Price risk

Given the current level of operations the Group is not exposed to price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $32,286 (2014: $188,699) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the period depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 0.2% (2014: 3.0%).

Sensitivity analysis

At 30 June 2015, if interest rates had changed by +/- 100 basis points from the weighted average rate for the period with all other variables held constant, post-tax loss for the Group would have been $32 (2014: $130) lower/higher as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For management purposes, the Group has identified two reportable segments being exploration activities undertaken in Australia and Peru. These segments include the activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in these geographic locations.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

	Australia		Peru		Consolidated Total	
	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$
Segment revenue	-	-	-	-	-	-
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue	**283**	11,299	**-**	-	**283**	11,299
Other revenue	**21,782**	110,024	**80,536**	16,332	**102,318**	126,356
Total revenue	**22,065**	121,323	**80,536**	16,332	**102,601**	137,655
Segment results	**(2,619,585)**	(217,143)	**(2,845,740)**	(334,387)	**(5,465,325)**	(551,530)
Reconciliation of segment result to net loss before tax:						
Other corporate and administration	**(186,271)**	(1,354,886)	**(151,409)**	(177,478)	**(337,680)**	(1,532,364)
Net loss before tax	**(2,805,856)**	(1,572,029)	**(2,997,149)**	(511,865)	**(5,803,005)**	(2,083,894)
Income tax benefit	**-**	114,801	**-**	-	**-**	114,801
Net loss after tax	**(2,805,856)**	(1,457,228)	**(2,997,149)**	(511,865)	**(5,803,005)**	(1,969,093)
Segment operating assets	**445,943**	4,706,454	**89,346**	913,216	**535,289**	5,619,670
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets	**38,797**	177,159	**280,049**	259,075	**318,846**	436,234
Total assets	**484,740**	4,883,613	**369,395**	1,172,291	**854,135**	6,055,904
Segment operating liabilities	**(446,145)**	(112,245)	**(21,400)**	(63,166)	**(467,545)**	(175,411)
Reconciliation of segment operating liabilities to total liabilities:						
Other corporate and administration liabilities	**-**	-	**-**	-	**-**	-
Total liabilities	**(446,145)**	(112,245)	**(21,400)**	(63,166)	**(467,545)**	(175,411)

4. REVENUE

	Consolidated	
	2015	2014
	$	$
From continuing operations		
Interest	**283**	11,299
Option over mining asset	**-**	100,000
Other income	**102,318**	26,356
	102,601	137,655

	Consolidated 2015 $	Consolidated 2015 $

5. EXPENSES

Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**415**	4,611
Minimum lease payments relating to operating leases	**25,508**	44,012

6. INCOME TAX

(a) Income tax expense		
Current tax	-	(114,801)
Deferred tax	-	-
	-	(114,801)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(5,803,005)	(1,969,093)
Prima facie tax benefit at the Australian tax rate of 30%	(1,740,901)	(590,728)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	-	33,840
Sundry items	(28)	283
	(1,740,929)	(556,605)
Movements in unrecognised temporary differences	751,611	388,900
Tax effect of current year tax losses for which no deferred tax asset has been recognised	989,318	167,705
Research & development grant	-	(114,801)
Income tax expense	-	(114,801)
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
On Income Tax Account		
Provision for expenses	3,600	4,702
Capital raising costs	63,594	92,699
Investments	253,006	229,880
Carry forward revenue tax losses	4,655,474	3,737,143
	4,975,674	4,064,424
Deferred Tax Liabilities (at 30%)		
Sundry items	-	-
Capitalised tenement acquisition costs	127,680	1,633,463
	127,680	1,633,463

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

	Consolidated 2015 $	Consolidated 2014 $

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash at bank and in hand	**32,286**	165,620
Short-term deposits	**-**	23,079
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**32,286**	**188,699**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.
Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2015 $	2014 $
Trade receivables	**286,560**	247,535

9. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2015 $	2014 $
Plant and equipment		
Cost	**140,137**	281,329
Accumulated depreciation	**(119,794)**	(189,313)
Net book amount	**20,343**	**92,016**
Plant and equipment		
Opening net book amount	**92,016**	134,137
Effect of foreign currency translation	**-**	(1,033)
Additions	**-**	28,864
Disposal	**(55,024)**	(18,283)
Depreciation charge	**(16,649)**	(51,669)
Closing net book amount	**20,343**	**92,016**

10. NON-CURRENT ASSETS – MINING PROPERTIES

	2015 $	2014 $
Tenement acquisition costs carried forward in respect of mining areas of interest		
Opening net book amount	**5,444,877**	5,594,424
Sale of tenement	**-**	(811,086)
Capitalised tenement acquisition costs	**-**	661,539
Capitalised tenement acquisition costs written off	**(5,019,277)**	-
Closing net book amount	**425,600**	**5,444,877**

The ultimate recoupment of costs carried forward for tenement acquisition is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

Tenement acquisition costs carried forward relate to the company's Australian held tenements.

	Consolidated	
	2015	2014
	$	$

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2015 $	2014 $
Trade payables	**98,129**	140,151
Other payables and accruals	**114,416**	35,260
	212,545	**175,411**

Fair Value and Risk Exposures

(i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
(ii) Trade and other payables are unsecured and usually paid within 60 days of recognition.
(iii) Other payables includes $100,000 payable to former directors. The amount is due and payable on or before 7 May 2016.

12. CURRENT LIABILITIES - BORROWINGS

	2015 $	2014 $
Loan - Unsecured	**55,000**	-
	55,000	**-**

Fair Value and Risk Exposures

(i) Due to the short term nature of the loan, its carrying value is assumed to approximate fair value.
(ii) The loan was for no fixed term and repayable from receipt of tax incentive grants. The amount has been repaid subsequent to year end.

13. NON-CURRENT LIABILITIES - BORROWINGS

	2015 $	2014 $
Convertible Loan - Unsecured		-
- Other parties	**145,000**	
- Related parties	**55,000**	
	200,000	**-**

The principle terms of the Notes, which were approved for issue by shareholders in general meeting on 20 August 2015, are as follows:

Redemption Date:	24 months from date of issue
Conversion Price:	Convertible into ordinary fully paid shares at an issue price $0.001 per share
Conversion Period:	A noteholder may convert at any time prior to the Redemption Date.
Interest Rate:	12%

The Notes were converted to ordinary fully paid shares on 2 September 2015.

14. ISSUED CAPITAL

(a) Share capital

	Notes	2015 Number of shares	2015 $	2014 Number of shares	2014 $
Ordinary shares fully paid	12(b), 12(d)	**530,633,165**	**16,311,777**	483,722,597	16,086,820
Total issued capital		**530,633,165**	**16,311,777**	482,722,597	16,086,820
(b) Movements in ordinary share capital					
Beginning of the financial year		**483,722,597**	**16,086,820**	274,755,891	13,686,486
Issued during the year:					
- Issued as part conversion of convertible note		**-**	**-**	7,381,506	738,151
- Issued for cash at 0.5 cents per share		**46,910,568**	**234,553**	-	-
- Issued for cash at 0.8 cents per share		**-**	**-**	110,000,000	880,000
- Issued for cash at 1 cents per share		**-**	**-**	91,585,200	915,852
Less: Transaction costs		**-**	**(9,596)**	-	(133,669)
End of the financial year		**530,633,165**	**16,311,777**	**483,722,597**	**16,086,820**

(c) Movements in options on issue

	Number of options 2015	Number of options 2014
Beginning of the financial year	**323,377,849**	70,000,000
Options lapsed during the year	**(20,500,000)**	-
Issued during the year	**46,910,568**	253,377,849
End of the financial year	**349,788,417**	**323,377,849**

(d) Ordinary shares

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

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

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(e) Performance Shares

As part of the acquisition of the Peruvian Companies 14,500,000 Performance Shares were issued to GMP. Nil value has been ascribed to the Performance Shares as it is not definitively known whether the 100% Laconia owned tenements will achieve production by 20 June 2017. Subsequent to year end, shareholders approved the disposal of the Peruvian mineral tenements.

(f) Convertible Note

During the 2012 financial year a convertible note was issued to Dr Sassine giving him the option of buying up to 7,800,000 ordinary shares in the Company at a price of 10 cents each on or before 20 June 2014. The value of the convertible notes is $649,090.

ASX Limited has agreed to grant the Company a waiver from ASX Listing Rule 14.7 to the extent necessary to enable the Company to issue these shares.

During the 2014 year this Convertible Note was fully redeemed through the issue of 7,381,506 ordinary shares.

	Consolidated 2015 $	Consolidated 2014 $
15. RESERVES AND ACCUMULATED LOSSES		
(a) Reserves		
Share-based payments reserve	**1,371,626**	1,371,626
Options reserve	**501,292**	501,292
Foreign currency translation reserve	**250,594**	166,449
	2,123,512	**2,039,367**
Movements:		
Share-based payments and option reserve		
Balance at beginning of financial year	**1,872,918**	1,708,826
Options issued during the year	**-**	51,292
Share based payment expense	**-**	112,800
Balance at end of financial year	**1,872,918**	**1,872,918**
Foreign currency translation reserve		
Balance at beginning of year	**166,449**	-
Exchange differences on translation of foreign operation	**84,145**	166,449
Balance at end of financial year	**250,594**	**166,449**
(b) Accumulated losses		
Balance at beginning of financial year	**(12,245,694)**	**(10,276,601)**
Net loss for the year	**(5,803,005)**	**(1,969,093)**
Balance at end of financial year	**(18,048,699)**	**(12,245,694)**

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

16. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

	Consolidated	
	2015	**2014**
	$	**$**

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation		
Short-term benefits	**17,811**	244,988
Post-employment benefits	**270**	1,337
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	-	112,800
	18,081	**359,125**

Detailed remuneration disclosures are provided in the remuneration report on pages 8 to 11.

Apart from the detail in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. Certain non-executive directors provided consulting services to the Group during the year. These services were charged to the Group based on the days worked. The total amount payable while they held positions as directors is shown in the Remuneration Report.

(b) Loans to key management personnel

There were no loans to key management personnel during the year.

(c) Other transactions with key management personnel

Services

Eclectricity Pty Ltd, a company of which Mr Stuart is a director and shareholder, provided contract geological services to the Company during the financial year to the value of $880 (2014: $14,467). The amounts paid were on arm's length commercial terms.

Regalriver Holdings Pty Ltd, a company of which Mr Edmondson is a director and shareholder, provided corporate advisory and secretarial services to the Company during the 2015 financial year for total fees of $62,000 (2014: $115,529), but had $68,069 of these fees written off (refer to page 10 of remuneration report). The amounts paid were on arm's length commercial terms.

Pursuant to an agreement between the Company and former directors, Mr Stuart, Mr Howison and Mr Edmondson ("the former directors"), the former directors released the Company from all claims for directors' fees, salaries, consulting fees, loan funds and any other form of remuneration. In consideration for the release the Company agreed to pay the former directors the sum of $100,000, in aggregate, on or before 7 May 2016 (refer Note 11). The Company has also agreed, subject to any future re-compliance fundraising to issue the former directors ordinary fully paid shares to the value of $75,000.

Loans from key management personnel

Directors have provided unsecured convertible loan funds of $55,000 (refer Note 13).

18. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

(a) Audit services		
Rothsay Chartered Accountants – audit and review of financial reports	**38,000**	37,500
Total remuneration for audit services	**38,000**	**37,500**
(b) Non-audit services		
Total remuneration for other services	**-**	-

19. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at balance date.

	Consolidated	
	2015	2014
	$	$

20. COMMITMENTS

(a) Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	**45,000**	40,000
later than one year but not later than five years	**45,000**	120,000
	90,000	**160,000**
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	-	3,818
later than one year but not later than five years	-	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	-	**3,818**

21. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Laconia Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 22.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 17.

(d) Loans to related parties

Laconia Resources Limited has provided unsecured, interest free loans to its wholly owned subsidiaries totalling $5,754,053 (2014: $3,779,768). An impairment assessment is undertaken each financial year by examining the financial position of each subsidiary and the market in which the respective subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss. The loans were impaired by a total of $5,406,059 (2014: nil).

22. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of incorporation	Class of shares	Equity Holding[1]	
			2015 %	2014 %
Laconia South America Pty Ltd[2]	Australia	Ordinary	**100**	100
Gold Mines of Peru SAC[3]	Peru	Ordinary	**100**	100
Minera Peru Gold SAC[3]	Peru	Ordinary	**100**	100
Compania Minera Sucre SA[3]	Peru	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

(2) This entity was incorporated on 1 November 2011 with Laconia Resources Limited as the sole shareholder.

(3) Not audited by Rothsay

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Convertible note conversion

On 2 September 2015, the Company issued 204,629,495 shares at an issue price of 0.1 cents per share on conversion of convertible notes with a face value of $200,000 and interest on convertible notes, as approved by shareholder in general meeting on 20 August 2015.

Other than as noted above, no matters or circumstances have arisen since the end of the financial year which significantly affected o may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

24. STATEMENT OF CASH FLOWS

	Consolidated	
	2015 $	2014 $
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(5,803,005)**	(1,969,093)
Non-Cash Items		
Depreciation of non-current assets	**16,649**	113,739
Share-based payments expense	**-**	112,800
Write off of acquisition costs of mining assets	**5,019,277**	-
Accrued charges	**(12,000)**	(120,198)
Share issue cost	**9,596**	133,668
Profit on sale of mining assets/investments	**-**	(888,044)
Change in operating assets and liabilities		
(Increase) in trade and other receivables	**(17,625)**	(158,191)
Increase/(decrease) in trade and other payables	**(32,433)**	(214,837)
Net cash outflow from operating activities	**(819,541)**	**(2,990,156)**

(b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year. (2014 – nil)

	Consolidated 2015 $	Consolidated 2014 $

25. LOSS PER SHARE

	2015 $	2014 $
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(5,803,005)**	(1,969,093)

	Number of shares 2015	Number of shares 2014
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**519,323,220**	266,020,950

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2015, all options on issue are considered anti-dilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Laconia Resources Limited, at 30 June 2015. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2015 $	2014 $
Current assets	**38,797**	177,159
Non-current assets	**793,937**	4,706,454
Total assets	**832,734**	4,883,613
Current liabilities	**246,145**	112,245
Total liabilities	**446,145**	112,245
Issued capital	**16,311,777**	16,086,823
Foreign Currency Reserve	**166,449**	166,449
Share-based payments and option reserve	**1,872,918**	1,872,918
Accumulated losses	**(17,964,555)**	(9,752,575)
Total equity	**386,589**	8,373,614
Loss for the year	**(8,211,915)**	(1,457,228)
Total comprehensive loss for the year	**(8,211,915)**	(1,457,228)

27. SHARE BASED PAYMENTS

Options issued under Incentive Option Scheme:

There have been no new grant of options during the year.

The following table is a summary of the movement of options that have been issued under the Incentive Option Scheme.

	2015 number	2014 number	2015 weighted average exercise price	2014 weighted average exercise price
Outstanding at the beginning of the year	6,000,000	-	1.4 cents	-
Granted during the year	-	6,000,000	-	-
Outstanding at the end of the year	6,000,000	6,000,000	1.4 cents	1.4 cents
Exercisable at the end of the year	-	-		

All options were issued free of charge and are exercisable on or before 30 September 2018 at an exercise price of $0.014 each. The options vest on achievement of pre-determined exploration results. No options expense was charged against operations for the year (2014: $31,200).

Performance rights granted

There have been no new grant of performance rights during the year.

The following table is a summary of the movement in performance rights

	2015 number	2014 number	2015 weighted average exercise price	2014 weighted average exercise price
Outstanding at the beginning of the year	10,200,000	-	-	-
Lapsed during the year	(10,200,000)	-	-	-
Outstanding at the end of the year	-	10,200,000	-	-

Performance rights lapsed on resignation of the holders of the rights. No performance right expense was charged against operations for the year (2014: $81,600)

DIRECTORS' DECLARATION

In the directors' opinion:

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

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2015 and of their performance for the financial year ended on that date;

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

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Gary Castledine

Chairman

30 September 2015

ASX ADDITIONAL INFORMATION

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 25 September 2015.

Distribution of holders of equity securities

	Fully paid ordinary shares	Quoted options	Unquoted Incentive Options	Unquoted Performance Shares
1 - 1,000	15	1	3	
1,001 - 5,000	18	4		
5,001 – 10,000	42	16		
10,001 - 100,000	273	39		
100,000 and over	381	128		2
	729	188	**3**	2
Holding less than a marketable parcel	359			

Substantial shareholders

Nil

Twenty largest holders of quoted equity securities

Fully Paid Ordinary Shares

The names of the twenty largest holders of quoted ordinary shares (ASX:LCR) are:

		Number of shares	Percentage of total ordinary shares
1	SLADE TECHNOLOGIES PL	46,789,862	6.36%
2	GOLDFIRE ENTERPRISES PL	33,391,399	4.54%
3	BARQUE INVESTMENTS PL	28,836,774	3.92%
4	MANDEVILLA PL	25,700,000	3.50%
5	NOOKAMKA HOLDINGS PL	22,972,581	3.12%
6	FOX. LISA	20,000,000	2.72%
7	*STUART, IAN GEORGE	17,763,658	2.42%
8	MCNEIL NOMINEES PL	17,500,000	2.38%
9	OFFICER BRIAN C + S J	17,018,065	2.31%
10	EDMONDSON, ROHAN C + F C	14,430,720	1.96%
11	OVERLAND CORNER WEST PL	14,400,000	1.96%
12	*PERIZIA INVESTMENTS PL	13,028,251	1.77%
13	EDMONDSON, FIONNUALA C	10,574,102	1.44%
14	DOWNEY, STELLA EMILY	10,341,935	1.41%
15	PATOIR ,JOSEPHINE K	10,335,484	1.41%
16	VERHEGGEN, MELANIE	10,332,258	1.41%
17	SKINK RESOURCES PL	10,000,000	1.36%
18	DICKSON, HAYDEN BRUCE	10,000,000	1.36%
19	GEMELLI, ROBERT	9,327,660	1.27%
20	*GOLD MINES OF PERU LTD	9,255,000	1.26%
		351,997,749	**47.88%**

* Denotes merged holders.

Quoted Options

The names of the twenty largest holders of quoted options (ASX:LCROA) are:

		Number of options	Percentage of total options in class
1	SLADE TECHNOLOGIES PL	25,303,572	7.36%
2	PATOIR JOSEPHINE K	22,662,812	6.59%
3	PERSHING AUSTRALIA NOMINEES PL	21,806,645	6.34%
4	EDMONDSON FIONNUALA C	19,264,213	5.60%
5	STUART IAN GEORGE	16,984,858	4.94%
6	GEMELLI ROBERT	16,458,722	4.79%
7	KAPIRI HOLDINGS PL	15,978,031	4.65%
8	PERIZIA INVESTMENTS PL	11,834,417	3.44%
9	EDMONDSON ROHAN CHARLES	11,243,560	3.27%
10	MARTIN ROBERT PAUL + S P	8,500,000	2.47%
11	ALGAR VINCENT J + I V L	7,500,000	2.18%
12	SKINK RESOURCES NL	7,500,000	2.18%
13	MANDEVILLA PL	6,250,000	1.82%
14	OVERLAND CORNER WEST PL	5,444,318	1.58%
15	BLACK DAMIAN PETER + A J	5,284,091	1.54%
16	FLUE HOLDINGS PL	4,958,334	1.44%
17	GOLDFIRE ENTERPRISES PL	4,683,334	1.36%
18	EDMONDSON MATTHEW EDWARD	4,500,000	1.31%
19	BOYNE MURRAY EDSON + L M	3,858,334	1.12%
20	HOWISON MATTHEW DAVID	3,750,000	1.08%
		223,765,241	**65.07%**

Unquoted equity security holders holding greater than 20%

	Number
Unquoted Performance shares	
GOLD MINES OF PERU LIMITED	12,500,000
Unquoted Incentive Options	
Ian Stuart	2,000,000
Matthew Howison	2,000,000
Matthew Edmondson	2,000,000

Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction

Home exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Perth. The Company's securities are not quoted on any other stock exchange.

Buy back

Nil.

Restricted securities

There were no securities restricted by the ASX at the date of this report or the year ended 30 June 2015.

Schedule of interest in mining tenements

Location	Tenement	Percentage held/earning
Western Australia	E45/3904	100
Western Australia	E52/2688-I	80 *
Peru	Patacancha N° 1	100 – Note 2
Peru	Patacancha N° 2	100 – Note 2
Peru	Patacancha N° 3	100 – Note 2
Peru	Patacancha N° 4	100 – Note 2

Table 1: Schedule of interests in mining tenements.

Note 1: Tenements with an "I" suffix have iron ore endorsement.
* Mineral rights held by Laconia Resources Ltd (80%) and Pandell Pty Ltd (20%). Manganese and iron ore rights held by Laconia Resources Ltd (70%) and Pandell Pty Ltd (30%).

Note 2: **T**hese tenements are subject to sale as approved by shareholders in general meeting on 20 August 2015 .