

**KAILI RESOURCES LIMITED
AND CONTROLLED ENTITIES**

ARBN 077 559 525

**Half-Year Financial Report
30 June 2016**

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CORPORATE DIRECTORY

Directors

Jianzhong Yang
Executive Chairman

Kaiyuan (Kelly) Yang
Executive

Chi Yuen (William) Kuan
Non-Executive

Company Secretaries

Long Zhao
Robert Lees

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Auditor

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REVIEW OF OPERATIONS

1. All granted tenements are up to date regarding statutory requirements.
2. E04/1433 (Annette Bore) and E04/1436 (Lucky Bore) in WA were relinquished.
3. Drilling in EPC 1506 and 1539 in QLD was completed in June 2016.
4. EPC 31/1113(Canegrass) and EPC 31/1114(Jungle Hill) in WA were granted on 30th May 2016.
5. Kaili Resources relocated the Corporate Office.

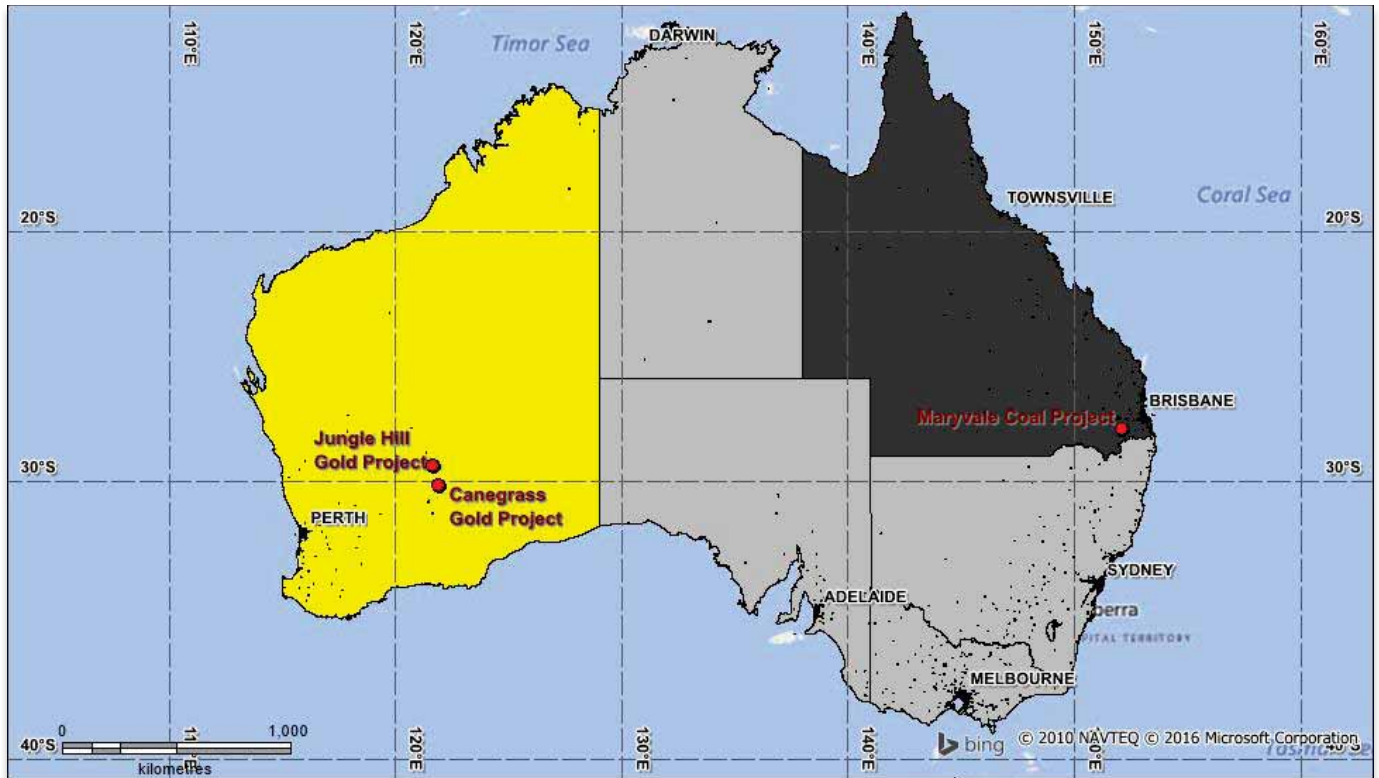


Figure 1: Kaili Resources projects locations – granted

PROJECT LOCATION	TENEMENT AREA IN SUB BLOCKS	TENEMENT AREA IN KM ²
Queensland	62	198.4
Western Australia	81	259.2
Total Area	143	457.6

Table 1: Kaili Resources granted tenement areas, all held 100%. km² has been calculated at approximately 3.2 km² per block

WESTERNAUSTRALIA

Yilgarn Craton (Gindalbie and Kookynie) Gold and Nickel

E31/1113 (Canegrass) and E31/1114 (Jungle Hill) held 100% by wholly owned subsidiary Kaili Gold Pty Ltd were granted on 30th May 2016 each for period of 5 years. E40/354, E27/550 and E27/549 are awaiting grant.

Hamersley Basin (Darnell Hill, Bustlers' Bore and Bea Bea Creek) Iron Projects

Applications E08/2770-I, E46/1084-I and E45/4619-I for 100% interest by Kaili Iron Pty Ltd (100% subsidiary of Kaili Resources Limited)

Negotiations with the Native Title Parties are currently underway to finalise access agreements so as to move the tenement applications towards granting.

The Native Title Parties are:

E08/2770-I (Darnell Hill)	Kuruma Marthundunera(Combined)	WC 1999/012
E46/1084-I (Bustlers Bore)	Palyku People	WC 1999/016
E45/4619-I (Bea Bea Creek)	Kariyarra People	WC 1999/003

In addition, E45/4619 is located within the Mugarinya Community and a separate access permit is required.

The Yilgarn Craton is one of the premier gold regions in the world and hosts numerous multimillion ounce gold mines and deposits. The Company reviewed several areas for tenement applications in proximity to known gold mineralisation and associated with mafic igneous extrusive/intrusive rocks. The Gindalbie area north east of Kalgoorlie and the Kookynie (Figure 2) are south east of Leonora were chosen and 5 tenement applications were made:

Gindalbie - Canegrass, Holey Dam and Gindalbie Dam for 201 km²

Kookynie – 8 Mile Dam and Jungle Hill for 69 km².



Figure 2: Kaili Resources Western Australian gold project locations (red) and gold mining operations(yellow).

During the period the Canegrass and Jungle Hill tenements were granted (**Figure 3**) and are located 650 km north-east of Perth.



Figure 3: Recently granted Canegrass and Jungle Hill gold tenements

The Canegrass and Jungle Hill tenements are located within the Western Australian Archaean Yilgarn Craton, one of the most highly endowed gold regions in the world. Within the Yilgarn Craton the Eastern Goldfield Superterrane hosts the bulk of the known gold deposits and operating mines. **Figure 4** shows a satellite image with the Eastern Goldfields Superterrane (EGS) overlain. The EGS comprises felsic to ultramafic intrusives, volcanics and volcanoclastics with associated sediments with the mafic variants being the primary host to gold mineralisation.



Figure 4 Satellite Image with Eastern Goldfields Superterrane (green) and recently granted tenements Canegrass and Jungle Hill (grey). Operating mines (red) and gold occurrences are shown

The Canegrass tenement is located in the Gindalbie Region 80 km north east of Kalgoorlie as shown in **Figure 4**. The satellite image of the Canegrass tenement (**Figure 5**) shows areas of north south trending outcropping rocks in the east of the tenement and transported cover sediments in the western half. Note the occurrence of known gold mineralisation to the south east of the tenement.

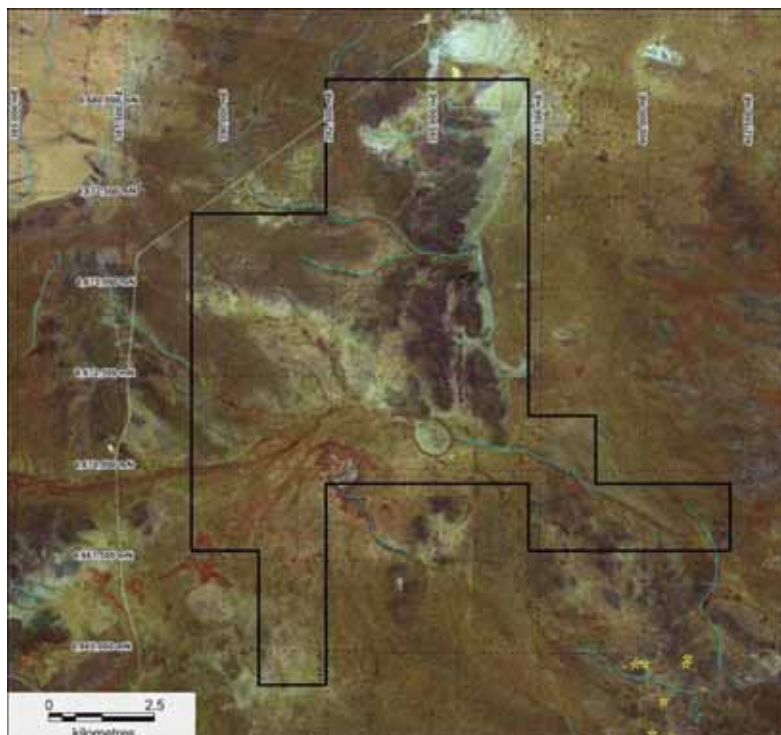


Figure 5 Satellite Image of the Canegrass tenement (E31/1113) and showing gold occurrences in the lower right of the image

The interpreted geological map (**Figure 5**) of the tenements shown that mafic volcanics A-b-YKU (green) are dominant and will be the focus of the initial explorations efforts. During the first year all available historical data will be compiled into a project specific database and manipulated within the Mapinfo GIS operating system. Southern Geoscience Consultants (SGC) based in Perth have provided a suite of aeromagnetic and radiometric images of the tenements on the back of a 100m line spaced aeromagnetic/radiometric survey. In addition, SGC will be interpreting the imagery to provide a more detailed lithostructural map of the tenements which will greatly assist in gold targeting.

The Jungle Hill tenement is located in the Kookynie Region 60 km north east of Menzies as shown in **Figure 4**. The area is a narrow NW-SE trending region comprising mafic (green) and felsic volcanics (light brown) flanked by granite (pink) (**Figures 7 and 8**). During the first year the exploration approach will be the same as described for the Canegrass project above, in addition several field traverses will be carried out so as to produce a regolith map of both tenements and refine the existing geological understanding.

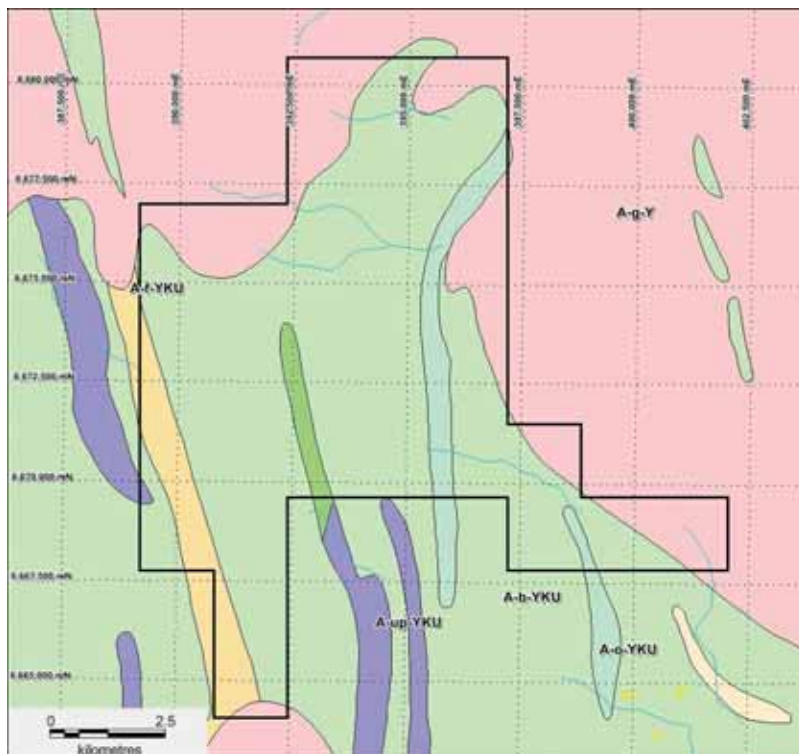


Figure 6 Solid geological interpretation of the Canegrass project comprising predominantly Mafic lithologies (A-b-YKU)

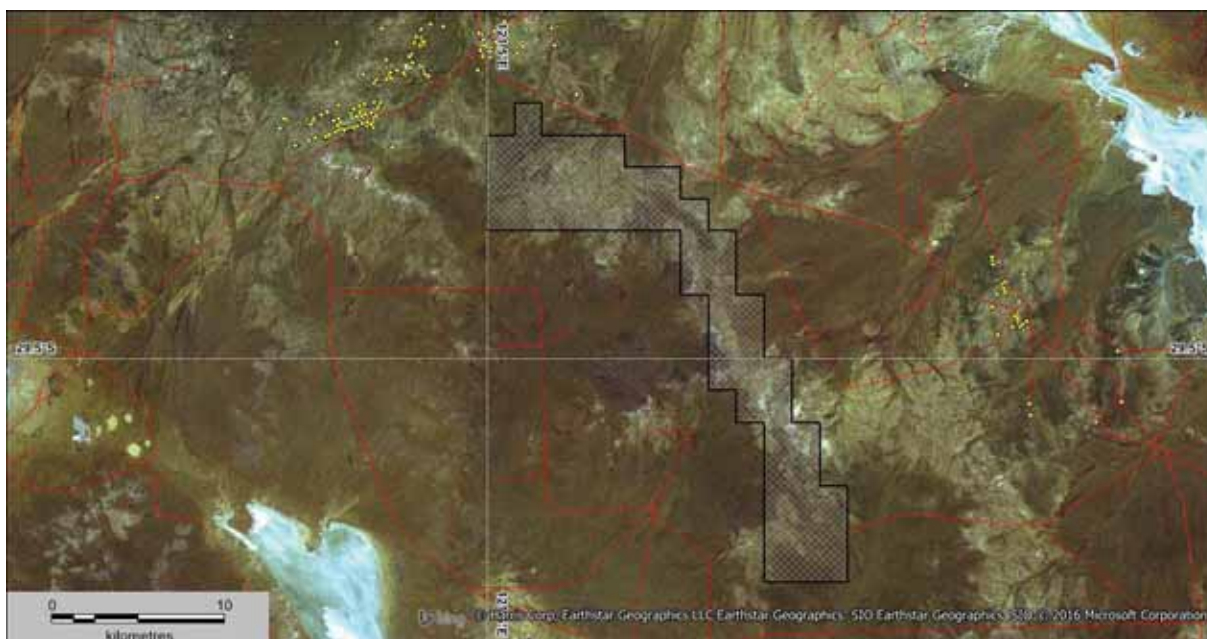


Figure 7 Satellite image showing the Jungle Hill tenement and known gold occurrences in yellow

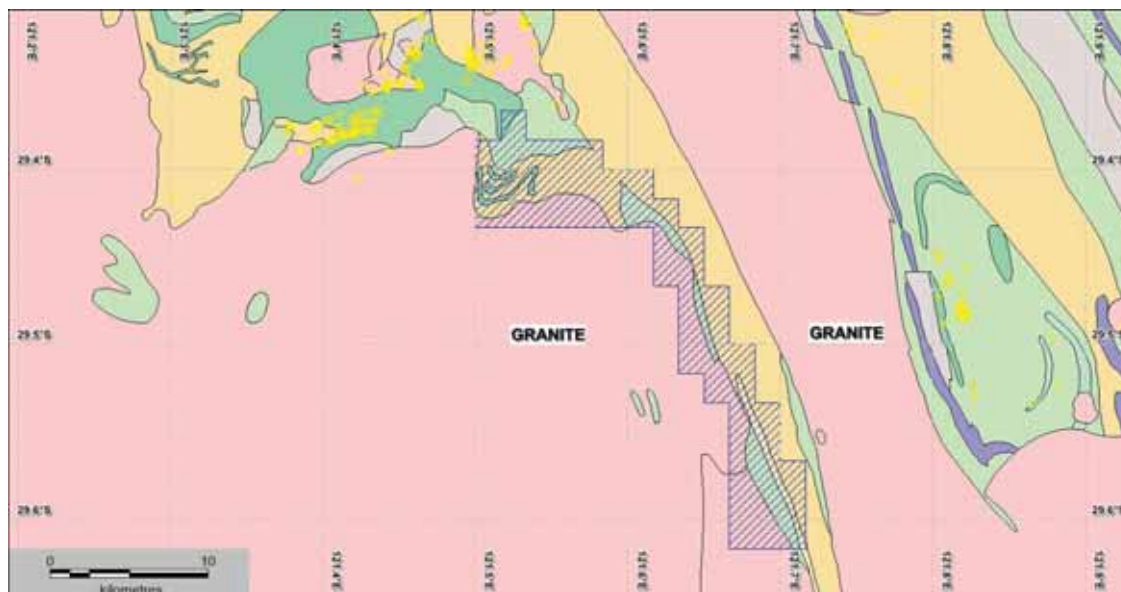


Figure 8 Solid geological interpretation of the Jungle Hill project comprising both mafic (green) and felsic (tan) lithologies,

During the period the Group relinquished E04/1433 and 1436 following an assessment of prospectivity and risks and all statutory requirements have been met.

QUEENSLAND

Clarence Moreton Basin (Maryvale) Coal Project

EPC1506 and 1539 held 100% by wholly owned subsidiary APEC Coal Pty Ltd

During the period a compulsory relinquishment of 36 sub blocks for EPC 1506 was accepted by the Queensland Department of Natural Resources and Mines which reduced the tenements from 89 blocks to 53 blocks as shown in **Figure 9**.



Figure 9 EPC 1506 showing the relinquished portions in red and the retained portion in green

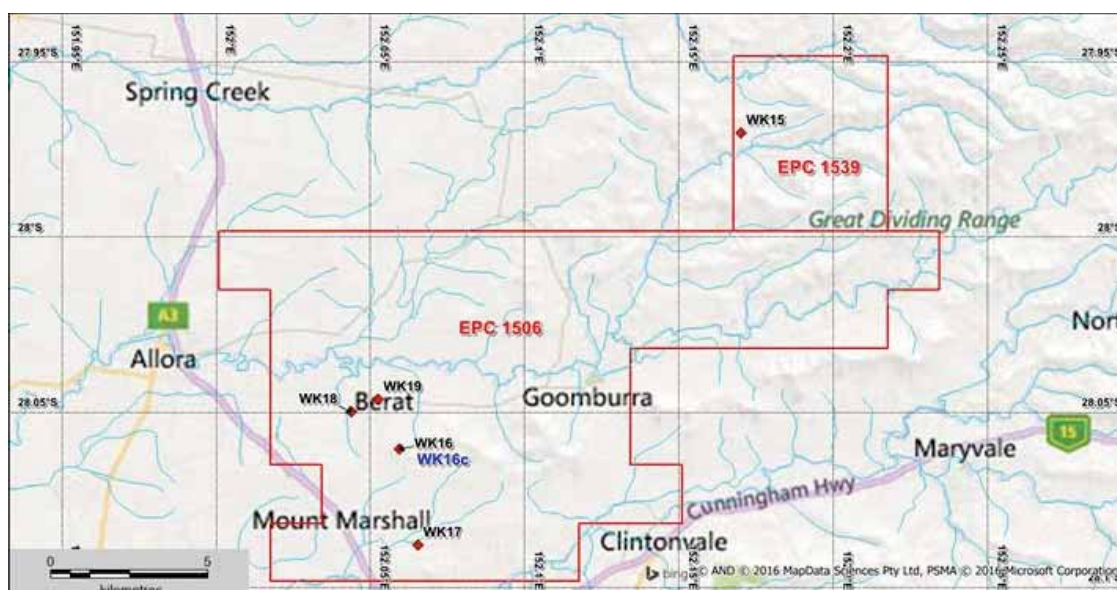


Figure 10 EPCs 1506 and 1539 showing the completed drill holes WK15 to WK19

The areas chosen for proposed partial relinquishment included regions around Warwick airport and the town of Allora as well as adjacent land to the major sealed highways and property sub divisions.

The Maryvale Project comprises EPC 1506 and 1539 which are located in along the western slopes of the Great Dividing Range within the southern portion of the Darling Downs region. The tenements are bordered by the Main Range National Park in the east which forms part of the Great Dividing Range.

The tenements are situated in the Clarence- Moreton Basin, approximately 30 km north of Warwick and 50 km south of Toowoomba, in southeast Queensland. Access to the tenement is possible through a series of sealed and unsealed roads and tracks branching from the Cunningham Highway and the New England Highway. Part of the Darling Downs, which includes the towns of Allora, and Warwick is known as the Southern Downs.

The wholly-owned subsidiary company APEC Coal Pty Ltd completed drilling at the Maryvale Coal Project located south west of Brisbane in South East Queensland within EPC 1539 and EPC 1506. 5 chip holes and 1 partially cored were completed for a total advance of 1,228 m including 7.87m of core. One hole (WK15) was drilled in EPC 1539 and the remainder (WK16 to WK19) were drilled in the south west of EPC 1506 (**Figure 10**). The partially cored hole (WK16C) was a twin hole or the chip hole WK16 at the same site.

Table 1 shows a summary of the drilling within EPC 1539 and EPC 1506 with all but 1 drill hole intersecting the targeted Bulwer Seam. In addition, WK 17 intersected a portion of the underlying Condamine Seam. The results are preliminary only as a full stratigraphic correlation between the drilling in this program and historical drilling has not been completed. A stratigraphic correlation of the Bulwer and Condamine Seams (**Figure 11**) along with coal quality analyses from WK 16C is currently underway.

Table 1 Drill hole summary details

EPC	Hole ID	GPS Pickup			TD	Dip	Basalt Depth (m)	Bulwer Seam Package			Condamine Seam Package		
		Easting (MGA 94)	Northing (MGA 94)	AHD				Roof	Floor	Interval	Roof	Floor	Interval
EPC 1539	WK15	418372	6905852	648	200	-90°	>200	NA	NA	NA	NA	NA	NA
EPC 1506	WK16	407593	6895752	602	255	-90°	117	160	181	21	NA	NA	NA
EPC 1506	WK16C	407595	6895748	602	176	-90°	120	163			NA	NA	NA
EPC 1506	WK17	408173	6892717	505	189	-90°	35	121	130	9	174	179.5	5.5
EPC 1506	WK18	406077	6896902	508	207	-90°	29	181.5	194	12.5	NA	NA	NA
EPC 1506	WK19	406878	6897302	516	201	-90°	46	182	192	10	NA	NA	NA
					1228								

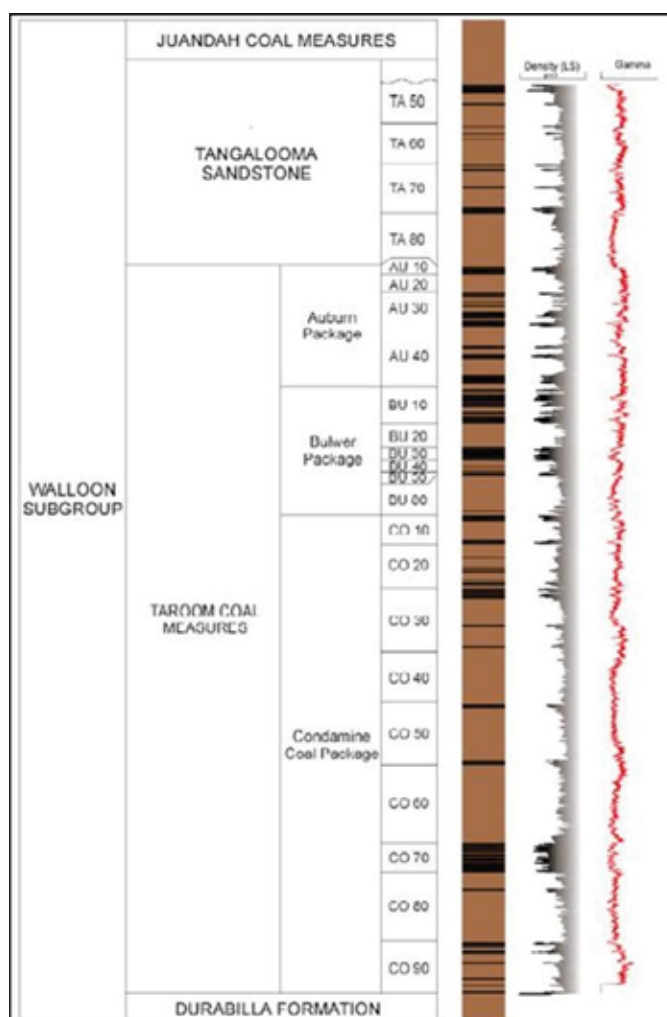


Figure 11 Stratigraphic relationship between the Bulwer and Condamine Packages – Maryvale Project

A downhole geophysical probe was used to collect density, gamma and other readings from all drill holes apart from WK 15 which was terminated in basalt and as such did not intersect the Walloon Sub Group (**Figure 11**) shows the stratigraphic relationship between the various coal packages of the Walloon Sub Group with the packages comprising coal (black) and non-coal intervals (brown). The coal interval sampled from in WK 16C (**Figure 12**) will be analysed by GeoConsult in their Brisbane laboratory.



Figure 12 Sampled coal interval from WK 16C

LICENCES STATUS

The minerals tenements held at 30 June 2016 and acquired or disposed of during the period and their locations are as follows.

Granted Tenement	Project Name	Location	Registered Holder	Beneficial Interest	Expiry
EPC 1506	Maryvale 1	Clarence Moreton Basin Qld, 15km north of Warwick	APEC Coal Pty Ltd	100%	12 May 2017
EPC 1539	Maryvale 2	Clarence Moreton Basin Qld, 15km north of Warwick	APEC Coal Pty Ltd	100%	5 August 2017
E31/1113	Canegrass	Yilgarn Craton WA, 80km north of Kalgoorlie	Kaili Gold Pty Ltd	100%	29 May 2021
E31/1114	Jungle Hill	Yilgarn Craton WA, 80km south of Leonora	Kaili Gold Pty Ltd	100%	29 May 2021
Application Tenement	Project Name	Location	Applicant	Beneficial Interest	Application Date
E08/2770-I	Darnell Hill	Hamersley Basin WA, 150 km south of Pannawonica	Kaili Iron Pty Ltd	100%	11 September 2015
E46/1084-I	Buster's Bore	Hamersley Basin WA, 150 km north of Newman	Kaili Iron Pty Ltd	100%	11 September 2015
E45/4619-I	Bea Bea Creek	Hamersley Basin WA, 250km north west of Newman	Kaili Iron Pty Ltd	100%	11 September 2015
E40/354	8 Mile Dam	Yilgarn Craton WA, 80 km south of Leonora	Kaili Gold Pty Ltd	100%	15 September 2015
E27/550	Holey Dam	Yilgarn Craton WA, 80 km north of Kalgoorlie	Kaili Gold Pty Ltd	100%	15 September 2015
E27/1433	Gindalbie Dam	Yilgarn Craton WA, 80 km north of Kalgoorlie	Kaili Gold Pty Ltd	100%	15 September 2015

During the half-year, EL31/1113 and EL31/1114 in WA were granted and a partial reduction of EPC 1506 was made which reduces the area of the tenement from 284.8 km² to 169.6 km². There was no change in beneficial interests under farm-in or farm-out agreements. E04/1433 (Annette Bore) and E04/1436 (Lucky Bore) in WA were relinquished in April 2016 at their expiry dates.

(The information in the report above that relates to Exploration Results is based on information compiled by Mr Mark Derriman, who is the Company's Consultant Geologist and a member of The Australian Institute of Geoscientists.

Mr Mark Derriman has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Editions of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Mark Derriman consents to the inclusion in this report of matters based on his information in the form and context in which it appears.)

CORPORATE AND FINANCIAL

Corporate

On 28 June 2016, Mr Long Zhao was appointed Company Secretary in replacement of Ms Ran Pang.

Performance

During the half year the Group incurred net losses of \$232,481 (2015: \$647,195) having written off project cost of \$52,619 (2015: nil).

Financial Position

Cash at 30 June 2016 was \$2,650,287 (31 December 2015: \$2,908,501). Current assets, held mainly in cash, decreased from \$2,947,591 at 31 December 2015 to \$2,681,263 at 30 June 2016 with the Group funding operations for the period from its cash resources.

Current liabilities were \$19,917 (31 December 2015: \$31,148).

Net assets decreased from \$3,296,353 at 31 December 2015 to \$3,063,872 at 30 June 2016.

Cash Flows

Operating activities resulted in net outflow of \$190,954 (2015: outflow \$675,066) as the Group is still in the exploration phase with no revenue from its principal activities. Net cash used in investing activities was \$67,010 (2015: \$33,468) with the Group spending on exploration and evaluation projects.

STRATEGY AND PROSPECTS FOR FUTURE

The Company's immediate plan is to focus on resources exploration in its granted tenements, in particular to define coal resource to JORC 2012 standards within EPC 1506 with the aim to eventually mining coal. The future prospects of the Company are dependent on the exploration success within its tenements. However, no indication as to likely results in the future can be given due to the uncertainties usually associated with exploration activities.

The Company will also be seeking new ventures for investment to spur growth.

DIRECTORS' REPORT

The Directors of Kaili Resources Limited submit the financial report of the consolidated group for the half-year ended 30 June 2016.

Directors

The names of Directors who held office during or since the end of the half-year are:

Jianzhong Yang - Executive Chairman

Kaiyuan Yang - Executive

Chi Yuen Kuan – Non-Executive

Operating Results

Total comprehensive loss for the half-year ended 30 June 2016 was \$232,481 (2015: loss \$647,195).

Review of Operations

A review of operations for the half-year ended 30 June 2016 is set out on pages 3 to 12.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 15, and forms part of this Directors' Report.

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



Jianzhong Yang
Director

Dated this 13th day of September 2016

Kaili Resources Limited

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Kaili Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Kaili Resources Limited for the half year ended 30 June 2016 there has been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



J F Shute

John F Shute Chartered Accountant
Suite 605, Level 6
321 Pitt Street
Sydney, NSW 2000

Dated this 8 September 2016

Independent Auditors' Review Report to the Board of Directors of Kaili Resources Limited (Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 19 to 25, which comprises the condensed consolidated statement of financial position of Kaili Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The directors of the Company are responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.


.....
JOHN F SHUTE
Chartered Accountant

Dated 13 September 2016



DIRECTORS' DECLARATION

In the opinion of the Directors of Kaili Resources Limited:

- a. The consolidated financial statements and notes of Kaili Resources Limited are in accordance with the Corporations Act 2001, including:
 - i Giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
 - ii Complying with Accounting Standard AASB 134 Interim Financial Reporting; and
- 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.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read '楊建忠' (Yang Jianzhong), written in a cursive style.

Jianzhong Yang
Director

Dated this 13th day of September 2016

**Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For The Half-Year Ended 30 June 2016**

	Note	30 June 2016 \$	30 June 2015 \$
Revenue			
Interest income		17,119	19,343
Other income		57,985	100,000
		<u>75,104</u>	<u>119,343</u>
Expenses			
Depreciation expense		(8,894)	(174)
Employee benefits expense		(161,883)	(207,964)
Projects written off		(52,619)	-
Other expenses	6	(84,189)	(558,400)
Loss before income tax expense		<u>(232,481)</u>	<u>(647,195)</u>
Income tax expense		-	-
Loss for the period		<u>(232,481)</u>	<u>(647,195)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the period		<u>(232,481)</u>	<u>(647,195)</u>
Loss attributable to:			
- members of the Parent Entity		<u>(232,481)</u>	<u>(647,195)</u>
Total comprehensive loss attributable to:			
- members of the Parent Entity		<u>(232,481)</u>	<u>(647,195)</u>
		Cents	Cents
Earnings per share			
Basic and diluted loss per share		<u>(0.24)</u>	<u>(0.68)</u>

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position**As At 30 June 2016**

	30 June 2016	31 December 2015
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,650,287	2,908,501
Trade and other receivables	30,976	39,090
TOTAL CURRENT ASSETS	<u>2,681,263</u>	<u>2,947,591</u>
NON-CURRENT ASSETS		
Financial assets	5,000	5,000
Property, plant and equipment	1,396	1,591
Exploration and evaluation expenditure	396,130	373,319
TOTAL NON-CURRENT ASSETS	<u>402,526</u>	<u>379,910</u>
TOTAL ASSETS	<u>3,083,789</u>	<u>3,327,501</u>
CURRENT LIABILITIES		
Trade and other payables	19,917	31,148
TOTAL CURRENT LIABILITIES	<u>19,917</u>	<u>31,148</u>
TOTAL LIABILITIES	<u>19,917</u>	<u>31,148</u>
NET ASSETS	<u>3,063,872</u>	<u>3,296,353</u>
EQUITY		
Issued capital	982,669	982,669
Reserves	2,081,203	2,313,684
TOTAL EQUITY	<u>3,063,872</u>	<u>3,296,353</u>

The accompanying notes form part of this financial report.

Consolidated Statement of Changes In Equity

For The Half-Year Ended 30 June 2016

	Share capital	Share premium	Contribu- ted surplus	Foreign currency translation	Accumulated losses	Total
	\$	\$			\$	\$
Balance at 1 January 2015	902,669	21,826,462	7,553,193	(1,358,572)	(26,225,558)	2,698,194
Total comprehensive loss for the period	-	-	-	-	(647,195)	(647,195)
Transactions with owners in their capacity as owners						
Issue of share capital	1,600,000	-	-	-	-	1,600,000
Capital raising costs	(25,356)	-	-	-	-	(25,356)
Balance at 30 June 2015	2,477,313	21,826,462	7,553,193	(1,358,572)	(26,872,753)	3,625,643
Balance at 1 January 2016	982,669	23,321,106	7,553,193	(1,358,572)	(27,202,043)	3,296,353
Total comprehensive loss for the period	-	-	-	-	(232,481)	(232,481)
Balance at 30 June 2016	982,669	23,321,106	7,553,193	(1,358,572)	(27,434,524)	3,063,872

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

For the Half-Year Ended 30 June 2016

	30 June 2016	30 June 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	57,985	100,000
Payments to suppliers and employees	(248,939)	(775,066)
Net cash outflow from operating activities	(190,954)	(675,066)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure	(75,430)	(51,062)
Payments for plant and equipment	(8,699)	(1,964)
Interest received	17,119	19,558
Net cash outflow from investing activities	(67,010)	(33,468)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,600,000
Capital raising costs	-	(25,356)
Net cash inflow from financing activities	-	1,574,644
Net (decrease)/increase in cash held	(257,964)	866,110
Cash and cash equivalents at the beginning of period	2,908,501	2,400,423
Effect of exchange rates on cash holding in foreign currencies	(250)	320
Cash and cash equivalents at the end of period	2,650,287	3,266,853

The accompanying notes form part of this financial report.

Notes to Financial Statements For the Half-Year Ended 30 June 2016

Note 1 – Nature of operations

Kaili Resources Limited and subsidiaries' (the Group) principal activities consisted of investment in the coal, energy and resources industry.

Note 2 – General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six months ended 30 June 2016 are presented in Australian dollar (\$), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 13 September 2016.

Note 3 – Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2015. The accounting policies have been adopted consistently throughout the Group for the purpose of preparation of these interim financial statements

Note 4 – Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2015.

Note 5 – Significant events and transactions

The Group has focused on its resources exploration on its granted tenements and was granted six additional tenements subsequent to balance date. Overall, the Group is in a strong position and has sufficient capital and liquidity to service its operating activities.

Notes to Financial Statements For the Half-Year Ended 30 June 2016 (continued)

	30 June 2016	30 June 2015
	\$	\$
Note 6 – Other expenses from ordinary activities		
Accounting and tax fees	33,799	13,907
ASX fees	4,133	92,632
Audit fees	4,550	4,000
Costs related to reinstatement of trading of the shares on ASX	-	379,982
Legal, professional and consulting fees	34,419	50,796
Operating leases	-	4,000
Other	7,288	13,083
	84,189	558,400

Note 7 – Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Parent Company as the numerator i.e. no adjustments to profits were necessary for the six month period to 30 June 2016 and 2015.

Note 8 – Operating segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group has identified its operating segment as the Mining Sector in Australia. All segments assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared. This position has not changed from the prior period.

Note 9 – Commitments**Exploration Expenditure Commitments**

The Group holds four granted tenements in Australia. A condition of the tenements is that the Group is required to meet minimum committed requirements to maintain current rights of tenure. These commitments may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements and are due as follows from balance date:

Within twelve months	299,000	301,000
Twelve months or longer and not longer than 5 years	1,005,000	115,000
Longer than five years	-	-
	1,304,000	416,000

The Group has obligations to restore land and rehabilitate areas disturbed during exploration. Cash deposit of \$5,000 (2015: \$5,000) has been provided as security for compliance with the conditions of the tenements.

Note 10 - Contingent Liabilities

At balance date, the Group has no contingent liabilities.

Notes to Financial Statements For the Half-Year Ended 30 June 2016 (continued)

Note 11 – Events after Balance Date

In the opinion of the Directors, no items, transactions or events of a material or unusual nature have arisen in the interval between the end of the financial period and the date of this report which have 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 subsequent financial years other than the following:

1. on 5 August 2016, five tenements (E31/1113, E27/550, E27/549, E40/354 and E31/114) with gold exploration potential in Western Australia have been granted to the Group; and
2. on 9 August 2016, tenement E45/4619-1 in Western Australia, with potential for iron ore exploration, has been granted.