

**AUSMON RESOURCES LIMITED**  
**ABN 88 134 358 964**

**ANNUAL REPORT 2017**

## CONTENTS

Corporate Directory	1
Chairman’s Letter	2
Review of Operations	3
Licence Schedule	12
Directors’ Report	14
Auditor’s Independence Declaration	22
Corporate Governance Statement	23
Financial Statements	24
Directors’ Declaration	48
Independent Auditor’s Report	49
Additional Information	53

## CORPORATE DIRECTORY

### Directors

Boris Patkin - Chairman  
John Q Wang - Managing Director  
Ray Shaw - Executive Director (appointed  
15 September 2016)  
Gang Zheng (resigned 30 November 2016)

### Home Stock Exchange

ASX Limited  
Exchange Centre  
20 Bridge St  
Sydney NSW 2000

### Company Secretary

John Q Wang

### ASX Code: AOA

### Registered Office

World Tower  
Suite 1312  
87-89 Liverpool Street  
Sydney NSW 2000  
Telephone: 61 2 9264 6988  
Facsimile: 61 2 9283 7166  
Email: [office@ausmonresources.com.au](mailto:office@ausmonresources.com.au)

### Solicitors

Piper Alderman  
Level 23, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

### Website

[www.ausmonresources.com.au](http://www.ausmonresources.com.au)

### Auditors

Grant Thornton Audit Pty Ltd  
Level 17  
383 Kent Street  
Sydney NSW 2000

### Share Registry

Boardroom Pty Limited  
Grosvenor Place, Level 12  
225 George Street  
Sydney NSW 2000  
Telephone: 61 2 9290 9600  
Facsimile: 61 2 9279 0664

## CHAIRMAN'S LETTER

Dear Shareholder,

It is my pleasure to present the 2017 Annual Report of the Group.

During the financial year we have been very active on several fronts as follows:

### Drilling program at Pooraka ELs 6413 and 7564 in NSW

Following delays due to inclement weather, in March 2017 we drilled 2 holes at Pooraka ELs 6413 and 7564 where a ground based TDEM (time domain electromagnetic) survey had revealed an extensive and strong conductor anomaly in the northern area, and a smaller, but equally strong, anomaly in the south. However, the analytical results of the drill samples received in May 2017 indicated only weak geochemical anomalism and we concluded that these conductors were caused by saline, clay-rich rocks and not an association with sulphide-gold mineralization. Nevertheless, it is not possible to generalise from these results and other untested bedrock Au (gold) anomalies known from previous work by the Company in 2010 and earlier explorers remain untested and may support RC drilling in the future.

### Capital management

In October 2016, the Company raised a gross total of \$536,710 by private placement lead managed by Patersons Securities and under a share purchase plan that was oversubscribed by shareholders. This new capital has been earmarked for working capital including assistance for the Company to seek new projects having the potential to spur growth.

### New projects

The Company has assessed several projects both in Australia and overseas. A preferred project in an advanced exploration graphite venture in North America could not be progressed when it became apparent that the owners are unable to deliver unencumbered title to licences. Other proposed projects in zinc, lead and gold did not meet our assessment criteria.

These criteria, for investment, are primarily that the project be in a sector that is reasonably stable, has growth potential, can deliver early cash flows, has capacity to support capital raising, that the necessary initial stages of funding do not unduly dilute the current shareholders' value, and has the support of shareholders.

While the Company continues to seek new ventures within the minerals sector it will also consider those in other sectors notwithstanding that this might entail, by virtue of changes in business nature and scale, recompliance in accordance with the ASX listing rules and, of course, necessary shareholder approvals.

I thank all shareholders for their support and patience as we continue to advance our existing projects and seek opportunities aiming to create value for shareholders.



Boris Patkin  
Chairman  
3<sup>rd</sup> August 2017

## REVIEW OF OPERATIONS

### EXPLORATION

#### Summary

##### **Koonenberry ELs 6400, 6424 and 6464, NSW**

- Application to renew EL6400 has been made, with 65% area reduction, for 2 years from 31 March 2017 and confirmation of renewal was received on 25 July 2017 from the Department of Industry (“DPI”). Future plans will involve investigation for the potential for in-situ Cu (copper) leaching–extraction of existing JORC Code (2004) resource at Grasmere-Peveril.
- Based on technical review, EL 6464 was allowed to expire on 18 September 2016. Compliance reports (Annual, Final, and Environmental) have been submitted to the DPI (Department of Industry).
- Following analysis of risks, no renewal application of EL 6424 was made when it expired on 25 May 2017. Compliance reports (Annual, Final and Environmental) have been submitted to the DPI.

##### **Pooraka ELs 6413, 7564, and 8424, NSW**

- EL 8424 (Pooraka 3) was renewed until 17 February 2019, and EL 7564 (Pooraka 2) renewed until 17 June 2018. Application for renewal has been made for EL 6413 (Pooraka 1) for 2 years from 16 May 2017. A proposed renewal instrument for execution was received on 24 July 2017 from the DPI. These 3 ELs cover possible N to NW strike extensions of the Canbelago gold mine, located directly to the south, as well as portion of the geologically significant Gilmore Suture.
- The strongest TDEM conductors recorded in ELs 6313 and 7564 were tested by two deep RC percussion holes in March 2017. Unexpectedly, the conductors turned out to be formational in origin (caused by saline, clay-rich rocks) and not related to sulphide-gold mineralization.

REVIEW OF OPERATIONS (continued)

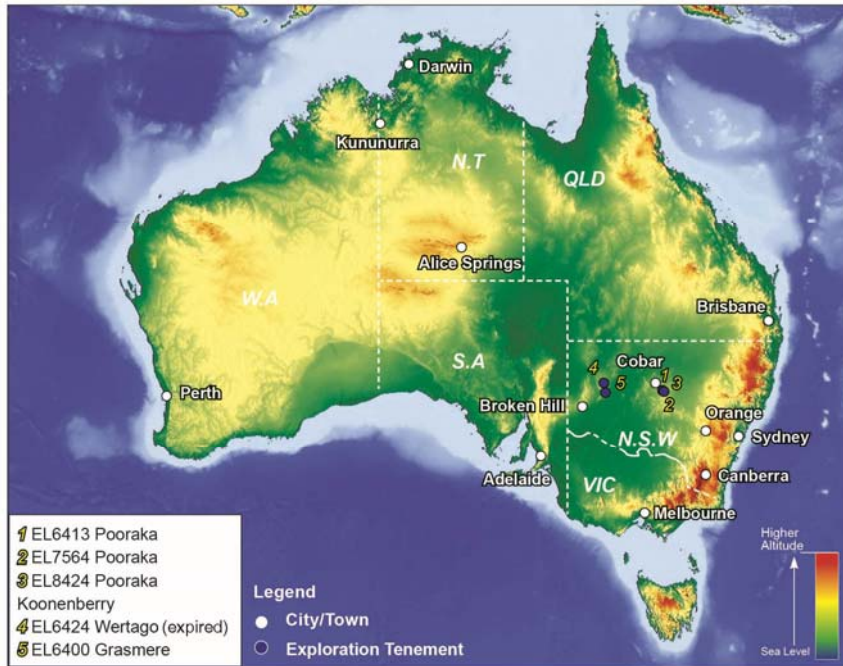


Figure 1 – List of Licences and their Locations in New South Wales, Australia

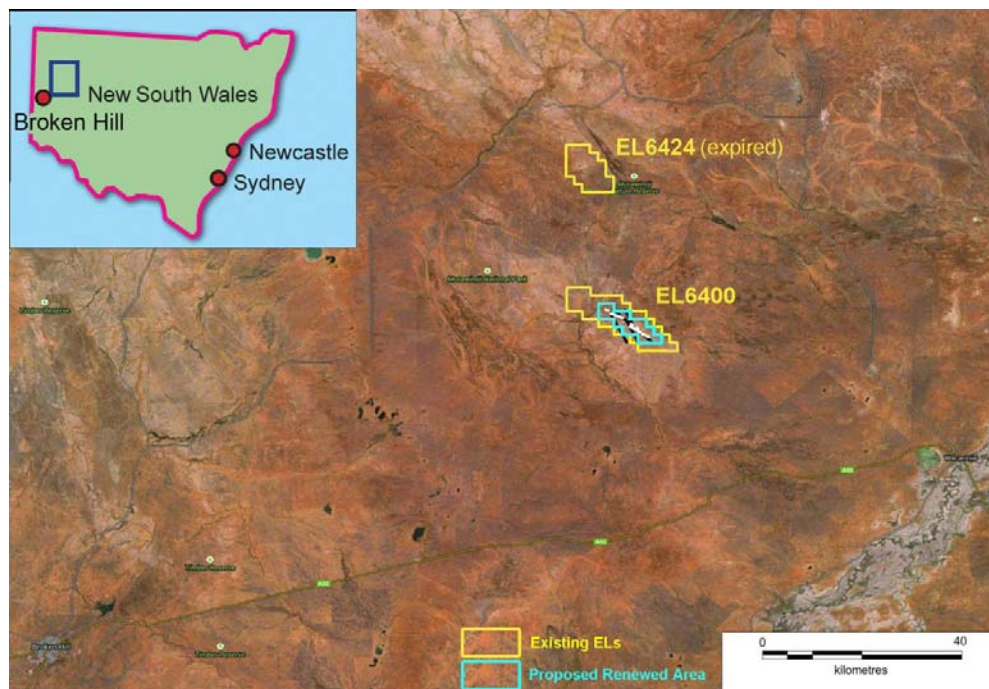
## REVIEW OF OPERATIONS (continued)

### ACTIVITIES IN THE KOONENBERRY

*EL 6400 NSW – 100% interest*

*EL 6424 NSW – 100% interest (expired on 25 May 2017)*

Copper-Zinc-(Silver) Exploration



**Figure 2 - Locations of Current and lapsed Koonenberry Exploration Licences**

*Note: Line of mineralization – white; Faults- black*

**EL 6400:** Notwithstanding the unfavourable results obtained in 2015, when 9 RC percussion holes were drilled, the Company sought a further renewal for 2 years on 31 March 2017, with a 65% area reduction to 17 units. This is for the purpose of pursuing an innovative approach to potentially exploit the known resource. Nevertheless, for sake of prudence, the Company also decided to fully impair past exploration expenditure for the purposes of the 2017 Financial Statements.

The resources contained in this EL, which are of principal interest, comprise part of the Grasmere-Peveril Cu-Zn-(Ag) deposits. As previously disclosed, the indicated plus inferred JORC Code 2004 compliant Resource is 5.75mt @ 1.03% Cu, 0.35% Zn, 2.3g/t Ag and 0.05g/t Au ( Inferred: 2.73 mt grading 0.9% Cu, 0.4% Zn, .04 g/t Au and 2.05 g/t Ag. Indicated: 3.02 mt grading 1.15% copper, 0.3% Zn, 0.06 g/t Au and 2.53 g/t Ag). Information relating to the mineral resource was prepared and first reported in accordance with the JORC Code 2004 in 2006. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was reported in 2006.

## REVIEW OF OPERATIONS (continued)

The Company plans to investigate the potential of *in-situ leaching* (“ISL”) techniques to extract Cu from known lodes. Actually, ISL has a very long history, copper being first won using this process in China around 980 AD, and probably as early as 200 BC. Copper is usually leached using acid (sulfuric acid or hydrochloric acid), then recovered from solution by *solvent extraction-electro-winning* (SX-EW) or by chemical precipitation, e.g. using iron as a precipitant. Ores most amenable to ISL include the copper carbonates malachite and azurite, the oxide tenorite, and the silicate chrysocolla. Other copper minerals, such as the oxide cuprite and the sulfides chalcocite and chalcopyrite require addition to the leachate of oxidizing agents such as ferric sulfate and/or oxygen (air) before the minerals can be fully dissolved. In some situations oxidation can be sped up by the introduction of the bio-agents, such as the bacteria *Thiobacillus ferrooxidans* which feeds directly on sulfide minerals.

Copper ISL is normally undertaken by *stope leaching* where broken low-grade ore is leached in a current or former underground mine. Leaching can also take place in backfilled stopes or caved areas. By 1994 ISL of copper was reported at some 16 mines in arid parts of the USA. The most successful was the San Manuel mine in Arizona where ISL was initially used on waste solutions from underground mining, but later improved using the *well-to-well recovery* method. That method has since been applied to many other copper deposits in Arizona. At the San Manuel Mine by 1996 with over 900 leach wells installed, annual recovered copper production reached 15,000t of metal at an operational cost of about \$900/t. ISL also has the benefit of having a low environmental impact, with little infrastructure and capital investment required.

In the case of the Grasmere-Peveril line of lode could entail the selective re-entry of the +600 existing drill holes (cleaned out) and used as leach wells or extraction wells. Leach wells would introduce into the lodes an oxygenated acidic leaching liquid with a fine suspension of quartz grains, under sufficient pressure to frack them and deposit quartz grains in cracks as the *propping agent*. Oxygen would then react with the abundant contained pyrite, and, in the presence of the aqueous leach liquid, and theoretically, should rapidly produce ferric sulfate and additional sulfuric acid, which would speed up dissolution of chalcopyrite. The reaction is exothermic (generates heat) which also enhances the process. In the unlikely event that acid leaching was found to be difficult ammonia-oxygen leaching could be used as an alternative.

Preliminary study by the Company indicates that the Grasmere-Peveril mineralization exhibits a number of features potentially efficacious for ISL extraction of copper, using sulphuric acid. Firstly the ore consists largely of broken and fractured pyrite grains, with chalcopyrite and lesser sphalerite conveniently located in cracks and crevices between pyrite grains. Hydraulic fracking should preferentially open those cracks and crevices, and the abundant pyrite, when oxidized, should produce new (additional) sulphuric acid. Secondly, the low proportion of acid reactive carbonate minerals (gangue) in the ore means that acid would not be consumed reacting with non-sulphide minerals. Thirdly, there appears to be consistent sulphide mineralogy all along the 5 km strike line of lode potentially providing for the ISL process, once optimized in one area, to be applied in other areas.

The retained units of the EL cover the line of lode and immediate environs. It is intended that bench test metallurgical studies together with further field studies, including hydrogeological

**REVIEW OF OPERATIONS (continued)**

assessments, will be undertaken as part of a preliminary feasibility assessment of using ISL to commercially exploit the Grasmere-Peveril mineralization.

Subject to successful outcome of the work described above there may be scope for commercialization of the existing JORC Code (2004) resource which is not suitable for conventional mining and treatment due to the small scale, narrow shoots, remote location and high capital costs.

**EL 6424:** This EL covers the Wertago copper diggings and Nutherungie silver field, where a detailed gravity survey in 2014 outlined several gravity lows (possible porphyry intrusions) considered to be worthy of testing with deep drilling. Two 450m long inclined RC pre-collared diamond holes were planned to test for hidden porphyry Cu-Mo-Au mineralization beneath the silver field. Following an analysis of economic risks (expected economic target size, remote location) and environmental risks (close proximity to indigenous national parks and sensitive archeological sites) it was decided to withdraw from the venture and allow this EL to expire on 25 May 2017. Compliance reports (Annual, Final, and Environmental) have submitted to the DPI and the security should be returned to the Company shortly. All exploration expenditure on the EL has been written off in the statement of profit and loss.

**EL 6464.** Because no significant drilling targets had been located, a decision was made to surrender this EL on 18 September 2016. Subsequently, Annual, Final and other compliance reports have been submitted to the DPI. All exploration expenditure on the EL has been written off in the statement of profit and loss.



REVIEW OF OPERATIONS (continued)

ACTIVITIES NEAR COBAR

Pooraka ELs 6413, 7564 and 8424 – NSW - 100% interest  
Gold, Silver and Base Metal Exploration

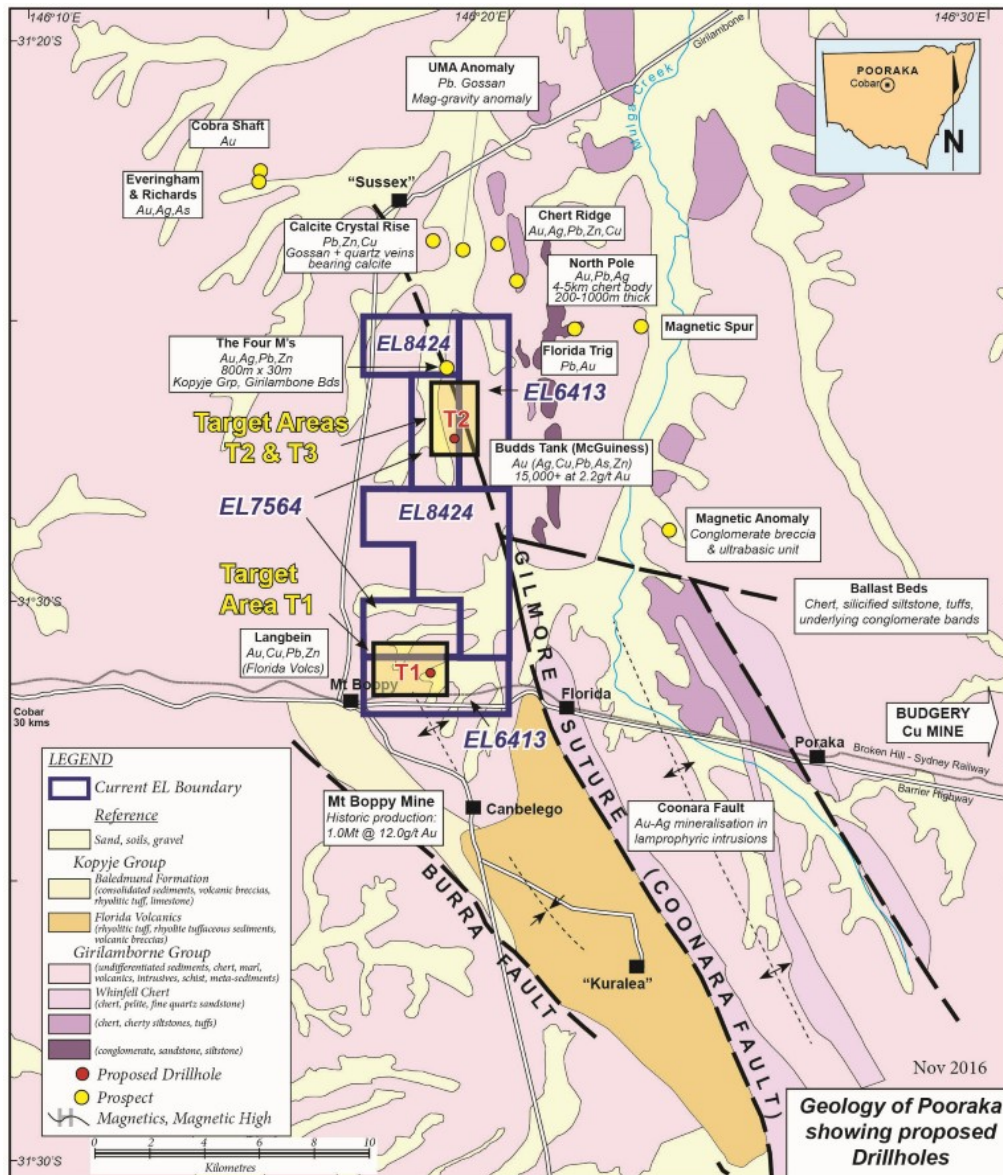


Figure 3 – Geology and Prospect Locations - Pooraka Project

Contiguous ELs 6413, 8424 & 7564 (Figure 3) at Pooraka, 50 km east of Cobar, contain several gold and base metal target areas gleaned from earlier exploration results. Due to the extent and thickness of magnetic palaeo channels, aeromagnetic data were noted to be of limited use, so in 2014, the Company decided to undertake a ground based EM survey to seek hidden

**REVIEW OF OPERATIONS (continued)**

conductors. Target areas were chosen using bedrock geochemical data and historic air-core/RC drilling data. Those data highlighted two sub-areas: T1, Langbein – Langbein West and T2/T3, Mc Guinness - McGuinness North (see Figure 3). During April and May 2015, a ground based 200m x 200m geophysical survey was undertaken over the two target areas using the time domain electromagnetic (TDEM) technique. TDEM data were processed to define anomalies caused by conductors. Using CSIRO/AMIRA computer programs targets data were further analysed to ascertain geometry-depth, orientation, thickness – and electrical properties. The results were considered by geotechnical advisers to the Company to be very encouraging. At T1, Langbein - Langbein West target area a broad formational conductive zone was detected, however a small discreet strong conductor (open to the east) was also detected proximal to where the Company’s 2009 RC-percussion drilling encountered low grade mineralization in bedrock. Lying directly on strike from the nearby historic Mt Boppy gold-base metal mine at Canbelego, this became a significant drill target. In the T2/T3, Mc Guinness - Mc Guinness North, target area, which takes in portion of the Gilmore Suture, a large strong, discreet, north running 1200m x 800m conductor was also outlined. This was interpreted to be most probably caused by buried low-grade sulphide concentrations.

Responses from the two conductor targets were modelled in 2016 by the Company’s geophysical consultant, who also designed two deep, inclined, RC percussion holes to test the nature of their conductivities (Figure 4).

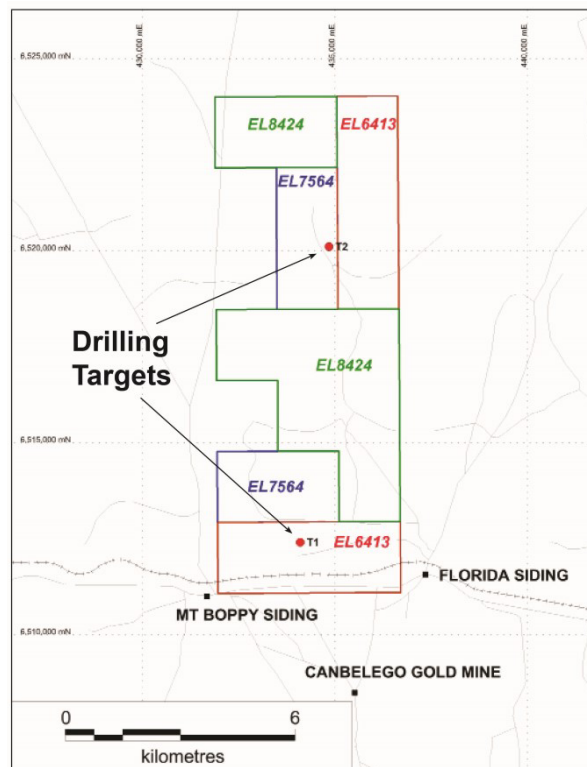


Figure 4 – Pooraka ELs showing Drill Holes 1 and 2

## REVIEW OF OPERATIONS (continued)

Hole 1 (150m) was drilled and sampled during the 18 and 19 March 2017. The RC percussion rig was then moved and set up to drill Hole 2 (250m) during the 20 and 21 March 2017, but heavy rains intervened, and prevented site access. When tracks dried out Hole 2 was quickly drilled on 28 March 2017, and sampled during the 28 and 29 March 2017. Sampling of both holes was at 1m intervals, generating 400 x 25Kg bags of drill returns plus 400 x 1.5-2 Kg of split samples. Split samples were dispatched by road freight to ALS in Orange on 29 March 2017. Samples selected for analysis (290 of the 400 collected) covered the down-hole extents of the two TDEM target zones which also closely matched logged zones of interest in both holes. Samples selected for analysis were 1 to 110 in Hole 1 and 1 to 180 in Hole 2. During April 2017 the 290 samples were analyzed for key elements Au, Ag, Cu, Pb, Zn, As, and S.

In both holes shales and acid to intermediate volcanic rocks were noted to be slightly weathered, with RC returns containing fines plus recognizable chips, however, what were thought to be weathered felsic volcanic rocks were also noted. These consisted almost entirely of clays of varying colors and hues; light to dark brown, khaki, red-brown, and purple-brown. No sulphide minerals were noted in returns, but that would be expected in a strongly weathered environment. Nevertheless, while logging, other signs of potential mineralization - quartz veins, very dark grey clays, black flecks, iron-staining, and stronger alteration were noted in about 10% of returns.

In summary, the following lithologies were noted in returns from the 2 holes (down-hole distance in metres);

**Hole 1** intersected clay-rich brown/yellow/khaki weathered (possibly weathered felsic volcanics) to 41m, weathered andesitic volcanics to 50m, less weathered andesitic volcanics to 97m, a chert-shale “transition zone” to 107m, then monotonous dark grey shales to 150m- EOH (end of hole).

**Hole 2** intersected light brown - grey shales to 29m, clay rich brown/yellow/khaki material (weathered possibly felsic volcanics) to 104m, medium grained rhyodacitic volcanics to 143m, a weathered transition zone of similar but altered rhyodacitic volcanics to 152m, clay-rich felsic volcanics (as above, but with interesting dark bands) to 170m, an altered rhyodacitic “transition zone” to 180m, rhyodacitic volcanics (as above) to 232m, then dark fine grained acid (rhyolitic) volcanics to 250m- EOH.

### Analytical results

Results were received from ALS in early May 2017. Weak anomalism was evident over 7 intervals, or zones, as follows: (Note: metal concentrations in ppm, S concentration in %; distances down hole in m);

**Hole 1A.** (3 anomalous intervals)

**3-26m** (clay rich rock) - Pb anomalous zone (up to 403 vs background 20) in part associated with high As (up to 51 vs background 5-10), S (0.02-0.03 vs background 0.01), and Zn (up to 976 vs background 20-30).

**48-95m-** (andesitic volcanic rock) - S anomalous zone (up to 0.08 vs background 0.01).

**96-110m** (chert-shale transition zone) - Pb anomalous zone (up to 306 vs background 20) associated with As (up to 21 vs background 5-10), and Zn (up to 450 vs background 50).

**Hole 2A** (4 anomalous intervals).

## REVIEW OF OPERATIONS (continued)

**71-74m** (clay rich rock) - Ag anomalous zone (up to 5.5 vs background less than 0.20) with anomalous Cu (up to 283 vs background 30) and S (up to 0.09 vs background 0.01).

**87-90m** (clay rich rock) - Au anomalous zone (up to 0.16 vs background less than 0.01).

**162-168m** (clay rich rocks with dark material)—As anomalous zone (up to 12, background less than 2), with Pb (up to 387 vs background 5-10), and Au (up to 0.02 vs background less than 0.01).

**174-180m** (altered rhyodacite transition zone)—S anomalous zone (up to 0.08 vs background 0.01).

## Conclusions

In both holes the TDEM anomalies closely align to the clay-rich zones which in the field were observed to be quite saline (to taste and also clays flocculated (settled quickly) in fresh water when wet sieving). Salt water bearing clay-rich zones would be highly conductive. Also they are sandwiched between non- conductive, non-permeable rocks (shales and volcanic rocks). The strong suspicion is that in areas where this occurs at detectable depths (20m to 200m) it can create convincing, but spurious, TDEM anomalies —described by geophysicists as “strong formational anomalies”, which in some situations can mimic low grade sulphide anomalies.

The above findings cast doubt on the cost effectiveness of the TDEM geophysical technique to locate hidden low-grade sulphides at Pooraka, but it does not follow that similar targets are the result of similar strong formational anomalies. Nevertheless, for the sake of caution, the Company decided to fully impair the exploration expenditure on Pooraka at the reporting date having regards to the level of risks on prospectivity of the area. Other deep targets (bedrock Au anomalies) are known in the McGuinness-Buds Tank area (Sub-Area 2/3). At that location earlier explorers (1986-1992) discovered significant inferred shallow Au resource in three pods to a depth of 12m. Also, at Langbein West (Sub-Area 1) the Company's early (2010) bedrock sampling (shallow air core drilling) detected bedrock Au anomalies.

These will need to be further evaluated, however, and based on the above TDEM results, it would appear far more cost effective that this be done using RC drilling.

*(The information in the report above that relates to Exploration Results is based on information compiled by Dr Pieter Moeskops, a member of The Australasian Institute of Mining and Metallurgy. Dr Moeskops 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. Dr Moeskops consents to the inclusion in this report of matters based on his information in the form and context in which it appears.)*

**REVIEW OF OPERATIONS (continued)**

**LICENCES STATUS**

Minerals tenements held at 30 June 2017 and acquired or disposed of during the year and their locations are as follows:

Tenement	Project Name	Location	Beneficial Interest	Expiry
EL 6400	Koonenberry	NSW	100%	31 March 2017 (Renewal applied for 2 years and renewal confirmed on 25 July 2017)
EL 6424	Koonenberry	NSW	100%	25 May 2017 (Expired. Renewal not sought)
EL 6464	Koonenberry	NSW	100%	18 September 2016 (Expired. Renewal not sought)
EL 6413	Pooraka 1	NSW	100%	16 May 2017 (Renewal applied for 2 years and Instrument for Renewal for execution received on 24 July 2017)
EL 7564	Pooraka 2	NSW	100%	17 June 2018
EL 8424	Pooraka 3	NSW	100%	17 February 2019

There were no other tenements acquired or disposed of or change in beneficial interests under farm-in or farm-out agreements during the year

**CORPORATE AND FINANCIAL**

**Corporate**

The Board composition changed following the appointment of Dr Raymond Shaw on 15<sup>th</sup> September 2016 and the resignation of Mr Gang (Gary) Zheng on 30<sup>th</sup> November 2016.

**Funding**

To fund on-going exploration and working capital during the year, the Group raised a gross total of \$536,710 by way of private placement and share purchase plan.

To undertake exploration activities while the Group has no revenue producing assets, the Group requires regular injections of funds and the level of activities is dictated by the funds and opportunities available. Currently the Group is able to fund the exploration expenditure that satisfies the minimum licence commitments activities and to meet its financial commitments as and when they fall due.

## REVIEW OF OPERATIONS (continued)

### Performance

During the year the Group incurred net losses of \$2,445,436 (2016: \$1,077,326) which included the impairment of exploration and evaluation expenditure of \$2,011,807 (2016: \$783,827) and share-based payments of \$239,690 (2016: nil) relating to shares issued under the Company's Employee Incentive Plan.

### Financial Position

Total equity decreased to \$595,459 from \$2,352,561 mainly due to the impairment of \$2,011,807 of exploration and evaluation expenditure, and operating expenses during the year. Shares issues during the year raised \$448,644 after issue expenses.

Cash at 30 June 2017 was \$566,364 (2016: \$548,483) with total current assets being \$583,710 (2016: \$551,714) made up substantially of cash.

Current liabilities were \$30,751 (2016: \$189,044), reduced as accrued Directors' fees in 2016 were paid during the year.

### Cash Flows

Operating activities resulted in net outflow of \$358,032 (2016: outflow \$108,516) as the Group is still in the exploration phase with no revenue. This outflow was funded from existing cash on hand.

## STRATEGY AND PROSPECTS FOR FUTURE

The Group proposes to continue its mineral exploration program in Australia and search for new projects. However, no indication as to likely results in the future can be given due to the uncertainties typically associated with exploration activities and identification of new opportunities. Future financial performance will be driven by success in following:

- exploration for copper at Koonenberry;
- gold exploration near Cobar; and
- new opportunities.

To continue carrying out these activities the Company will require on-going funding which may be by farmout of interests or equity capital. The method of funding will be determined at the appropriate time as part of the Group's capital management in maintaining a capital structure that minimises the cost of capital and provides a reasonable benefit to all shareholders.

## DIRECTORS' REPORT

The Directors present their report on Ausmon Resources Limited ("Company") and its controlled entity ("Group") for the financial year ended 30 June 2017.

### DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

**Boris Patkin**  
**Non-Executive Chairman**

Mr Patkin holds a Bachelor of Science (Industrial Chemistry) with a number of industry qualifications. He worked for the Shell Group from 1973 – 1980 and subsequently operated his own businesses for many years in various industries, including textile, footwear, freight forwarding, property and independent living communities. He is presently an authorised representative at Morgan's stockbroking division dealing in generic securities, margin lending and managed investments.

Appointed to the Board: 16 July 2014

Special responsibilities: Chairman from 16 July 2014.

Current directorship of other listed public companies: None.

Former directorship of listed public companies in the last three years: None.

**John Qiang Wang**  
**Managing Director**

Mr Wang is also the Chief Financial Officer and Secretary of the Company. He holds a Bachelor of Computer Science from Shanghai University and a Master of Business Administration from the University of Technology, Sydney. He is a Justice of the Peace with more than 19 years' experience in the accounting profession in Australia. He is a Fellow Member of the Taxation Institute of Australia, a member of National Institute of Accountants and an affiliate member of the Financial Planner Association of Australia.

Appointed to the Board: 26 November 2008 on incorporation

Special responsibilities: Managing Director from 16 July 2014 and Finance.

Current directorship of other listed public companies: None.

Former directorship of listed public companies in the last three years: None.

**Dr Ray Shaw**  
**Director – Executive**

Dr Shaw has more than 30 years' experience in the minerals and energy resource sectors, including senior corporate roles as either Chairman (Rampart Energy Limited and Red Gum Resources Ltd) or Managing Director (Great Artesian Oil and Gas Limited and Bandanna Energy Limited) of Australian Securities Exchange (ASX) listed companies, following a broad career as a professional earth scientist consulting to industry, government, and international aid agencies including the World Bank, Asia Development Bank and AusAid. He was a part time consultant with the New South Wales Department of Mineral Resources for 7 years, providing input for exploration industry initiatives within the State.

## **DIRECTORS' REPORT (continued)**

Appointed to the Board: 15 September 2016

Special responsibilities: New projects search.

Current directorship of other listed public companies: None.

Former directorship of listed public companies in the last three years: Red Gum Resources Limited (until 28 May 2015) and Rampart Energy Limited (until 1 June 2014).

### **Gang (Gary) Zheng**

**Director – Non-Executive – resigned on 30 November 2016**

Mr Zheng has over 18 years' experience in business in China, primarily in Shanghai and Beijing, and also in Australia. He has a good network of business and investors in China and Australia.

Appointed to the Board: 26 November 2008 on incorporation

Special responsibilities: New projects search.

Current directorship of other listed public companies: None.

Former directorship of listed public companies in the last three years: None.

## **COMPANY SECRETARY**

Mr John Qiang Wang is the Company Secretary of the Company as at the end of the financial year and at the date of this report.

## **PRINCIPAL ACTIVITIES**

The principal activities of the Group during the financial year consisted of carrying out exploration in minerals tenements with a focus on gold, silver, copper and other base metals and also seeking out new opportunities.

## **OPERATING RESULTS**

The loss of the Group after income tax for the year was \$2,445,436 (2016: \$1,077,326).

## **FINANCIAL POSITION**

The net assets of the Group at 30 June 2017 were \$595,459 (2016: \$2,352,561). Total assets decreased by \$1,915,395 to \$626,210 following impairment of exploration assets and total liabilities decreased by \$158,293 to \$30,751 with cash and cash equivalents of \$566,364 (2016: \$548,483) and no borrowings.

## **DIVIDENDS**

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

## **STATE OF AFFAIRS**

The following significant changes in the state of affairs of the Company occurred during the financial year:

- (a) Issue of 76,672,857 fully paid ordinary shares at \$0.007 per share through private placements and under a share purchase plan to raise \$536,710 before expenses, in new capital;



## **DIRECTORS' REPORT (continued)**

- (b) Issue of 30,480,000 fully paid ordinary shares under the Employee Incentive Plan; and
- (c) Undertook a drilling program at Pooraka EL 6413 and EL 7564, which commenced on 17 March 2017 and was completed on 28 March 2017. Details of the drilling program are included in the Review of Operations.

## **REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS**

A Review of Operations for the financial year, together with future prospects, is set out on pages 3 to 13.

During the subsequent financial year the likely developments of the Group will involve continuation of exploration in its tenements to define mineral resources and the identification of other opportunities within the mining, or other sectors, in Australia and overseas. Except as described elsewhere in this Annual Report, the likely results of the exploration activities are unknown at the date of this report.

Successful results from exploration within the exploration licences held by the Company would increase the value of the licences and potentially attract joint venture partners to participate in their further exploration, appraisal and development.

## **ENVIRONMENTAL ISSUES**

The Group's operations are subject to significant environmental and other regulations under the laws of the Commonwealth and State. The Group has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration activities. There have been no reports of breaches of environmental regulations in the financial year and at the date of this report.

## **AFTER REPORTING DATE EVENTS**

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 year 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 receipt of confirmation of renewal EL 6400 on 25 July 2017 from the Department of Industry.

## **REMUNERATION REPORT (AUDITED)**

Details of the nature and amount of remuneration for each key management personnel of Ausmon Resources Limited are set out below.

### **Remuneration Policy and Practices**

The Group's policy for determining the nature and amount of remuneration of Board members and senior executives is as follows:

- (i) Directors

## **DIRECTORS' REPORT (continued)**

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities with annual reviews based on market practices.

The maximum aggregate annual remuneration of Non-Executive Directors is subject to approval by the shareholders in general meeting. The Company had determined the maximum aggregate amount at \$500,000 per year.

No Directors remuneration is payable for the year ended 30 June 2017 as the Board has not resolved for fees to be paid having regards to the Company's cash availability and performance.

### (ii) Key Management Personnel

The remuneration structure for senior executives, including Executive Directors, is based on a number of factors, including qualifications, particular experience and general past performance of the individual concerned, overall performance of the Group and general human resources market pricing. There is no predetermined equity compensation element within the remuneration structure nor predetermined performance condition to be satisfied. Remuneration including equity compensation is reviewed on an annual basis with advice from external remuneration advisers as may be required. There are no contracts for service between the Company and Executive Directors and other key management personnel currently in place.

The Board determines payments to Non-Executive and Executive Directors and other key management personnel. The Board has not resolved to pay fees to Directors with respect to the year ended 30 June 2017, having regard to the Company's cash availability and performance.

### **Company performance, shareholder wealth and Director and executive remuneration**

The remuneration policy at this stage of the Group's evolution has been tailored for goal congruence between shareholders, Directors and executives.

### **Use of remuneration consultants**

No remuneration consultants were used during the year.

### **Voting and comments made at the Company's 2016 annual general meeting**

The Company received 100% of "yes" votes on its remuneration report for 2016 financial year. The Company did not receive any specific feedback at the Annual General Meeting concerning its Remuneration Report.

### **Employee Incentive Plan**

The Company has established an "Ausmon Resources Limited Employee Incentive Plan" (the Plan) under which the Directors may offer options and ordinary shares in the Company to eligible persons. The Directors may also offer non-recourse interest free loans for terms of up to 5 years under the plan for subscription of shares and under such loans the Company holds a lien over the issued shares. The options are issued free at grant. The shares may not be subscribed for less than the market value of the shares at the time an offer is made under the plan. The maximum total number of options and shares that may be offered or issued under the plan may not exceed 20% of the issued shares of the Company.

**DIRECTORS' REPORT (continued)**

The shares issued under the plan rank pari passu with other issued ordinary shares and are not listed while there are loans outstanding on the subscription of the shares. Executives and consultants participate in the Ausmon Resources Limited Employee Incentive Plan at the invitation of the Board after a review of performance. Directors may participate in the Plan subject to approval of shareholders.

30,480,000 shares were granted under the plan to Eligible Persons during the financial year (2016: nil).

**Consequences of performance on shareholder wealth**

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four (4) financial years:

<b>Item</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Loss per share (cents)	0.78	0.45	0.30	0.40	1.03
Dividends (cents per share)	-	-	-	-	-
Loss for the year (\$)	2,445,436	1,077,326	620,552	351,064	766,323
Share price (\$)	0.004	0.010	0.007	0.009	0.018

**Key management personnel remuneration**

The key management personnel of the Group during the year were the Directors B Patkin, J Q Wang, R Shaw and G Zheng.

The following table show details of the remuneration of each Director and key management personnel for the year ended 30 June 2017:

	<b>Short-term employee benefits</b>	<b>Post employment</b>	<b>Other long term</b>	<b>Termination benefits</b>	<b>Share-based payments</b>	<b>Total</b>
	<b>Cash salary and fees</b>				<b>Shares</b>	
<b>2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Directors</b>						
B Patkin	-	-	-	-	54,000	54,000
R Shaw <sup>1</sup>	27,396	2,604	-	-	-	30,000
J Q Wang	-	-	-	-	108,000	108,000
G Zheng <sup>2</sup>	-	-	-	-	-	-
	<b>27,396</b>	<b>2,604</b>	<b>-</b>	<b>-</b>	<b>162,000</b>	<b>192,000</b>

<sup>1</sup> Appointed 15 September 2016

<sup>2</sup> Resigned 30 November 2016

None of the remuneration was performance related. The Directors believe that the grant of those shares under the EIP is reasonable share based remuneration supplementing short term cash benefits and incentive that align the interests of those with those of other shareholders given the premium built in the pricing of those shares and the Qualifying conditions (see Note 6).

**DIRECTORS' REPORT (continued)**

	Short-term employee benefits	Post employ- ment	Other long term	Termination benefits	Share-based payments Shares	Total
	Cash salary and fees					
<b>2016</b>						
<b>Directors</b>						
B Patkin	50,000 <sup>2</sup>	-	--	-	-	50,000
L Qian <sup>1</sup>	-	-	-	-	-	-
J Q Wang	50,000 <sup>2</sup>	-	-	-	-	50,000
G Zheng	25,000 <sup>2</sup>	-	-	-	-	25,000
	125,000	-	-	-	-	125,000

<sup>1</sup> Resigned 30 September 2015

<sup>2</sup> Fees accrued at 30 June 2016 and only due and payable when fresh capital of at least \$500,000 has been raised. The fees were paid during the year ended 30 June 2017.

**Shares held by Key Management Personnel**

The number of ordinary shares in the Company during the 2017 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

	Balance at start of year	Granted as remuneration <sup>4</sup>	Other changes	Balance at end of year or on resignation
<b>Year ended 30 June 2017</b>				
B Patkin <sup>1</sup>	4,000,000	6,000,000	2,142,857	12,142,857
J Q Wang <sup>2</sup>	7,185,002	12,000,000	2,142,857	21,327,859
R Shaw	-	-	-	-
G Zheng <sup>3</sup> (resigned 30 November 2016)	10,282,501	-	-	10,282,501
	21,467,503	18,000,000	4,285,714	43,753,217

<sup>1</sup> Shares are held by Snowy Plains Pty Ltd of which Director B Patkin is the sole director and owns all of the shares.

<sup>2</sup> 2,510,000 shares are registered in the name of John Wang & Co Pty Ltd (J Q Wang is a director and controller) and 2,800,000 shares are registered in the name of John Wang & Co Pty Ltd Atf JMWang Family Trust of which J Q Wang is a beneficiary.

<sup>3</sup> 50,000 shares are registered in the name of H&G Camden Pty Ltd. 6,325,000 shares are registered in the name of C K Camden Pty Ltd. 1,600,000 shares are registered in the name of C K Camden Pty Ltd <Zheng Family Trust A/C>. 1,400,000 shares are registered in the name of Hong Chen who is the spouse of G Zheng. G Zheng is a director and has financial interests in H&G Camden Pty Ltd and C K Camden Pty Ltd.

<sup>4</sup> Granted under the Ausmon Resources Limited Employee Incentive Plan approved by shareholders subject to Qualifying Conditions (see Note 6 to the financial statements).

**DIRECTORS' REPORT (continued)**

**Other transactions with Key Management Personnel**

	2017	2016
	\$	\$
Paid to Australian MBA Accountants an entity controlled by Director J Q Wang	2,300	2,000
- Services for tax return	10,600	10,400
- Office Rental	8,432	2,534
- Professional and consultancy services		
	21,332	14,934

*End of audited remuneration report.*

**SHARE OPTIONS**

There are no share options issued during the year or on issue at the date of this report.

**MEETINGS OF DIRECTORS**

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2017, and the number of meetings attended by each Director:

	Directors' meetings	
	Number eligible to attend	Number attended
B Patkin	5	5
J Q Want	5	5
R Shaw <sup>1</sup>	5	5
G Zheng <sup>2</sup>	1	-

<sup>1</sup> Appointed 15 September 2016. <sup>2</sup> Resigned 30 November 2016.

During the year, some Board business was also effected by execution of circulated resolutions.

Because of the small size of the Board, no separate sub-committees of the Board have operated and all matters were dealt with in the Directors' meetings or by circulated resolutions.

**INDEMNIFYING OFFICERS OR AUDITORS**

The Group has not during, or since, the end of the year indemnified an officer or an auditor of the Group or of any related body corporate, against a liability incurred by such an officer or auditor. The Group has not paid or agreed to pay a premium to insure a current or former officer or the auditor against legal liabilities.

**PROCEEDINGS**

During the financial year and in the interval between the end of the financial year and the date of this report, the Group has made no application for leave under section 237 of the Corporations Act 2001.

**DIRECTORS' REPORT (continued)**

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings in the year.

**NON-AUDIT SERVICES**

No non-audit services were provided by the auditor during the year ended 30 June 2017.

**AUDITOR'S INDEPENDENCE DECLARATION**

In accordance with section 307C of the Corporations Act 2001 the auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 22 of the Annual Report and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'John Wang', with a long horizontal stroke extending to the right.

John Wang  
Director

Dated this 3<sup>rd</sup> of August 2017

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## Auditor's Independence Declaration To the Directors of Ausmon Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Ausmon Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M D Dewhurst  
Partner - Audit & Assurance

Sydney, 3 August 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

## **CORPORATE GOVERNANCE**

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Ausmon Resources Limited and its controlled entity ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations – 3<sup>rd</sup> edition ('the ASX Principles') are applicable for financial years commencing on or after 1 July 2014.

The Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report. The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company's website at <http://www.ausmonresources.com.au/corporate-governance/>.

The Group's Corporate Governance Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2017

	Note	Consolidated Group	
		2017	2016
		\$	\$
<b>Revenue</b>			
Interest revenue		5,347	8,045
<b>Expenses</b>			
Employee benefits expense		(37,160)	(31,374)
Impairment	11	(2,011,807)	(783,827)
Share-based payments	6	(239,690)	-
Other expenses	5	(162,126)	(270,170)
<b>Loss before income tax expense</b>		(2,445,436)	(1,077,326)
Income tax expense	7	-	-
<b>Loss for the year</b>		(2,445,436)	(1,077,326)
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive loss for the year</b>		(2,445,436)	(1,077,326)
<b>Loss attributable to:</b>			
- members of the Parent Entity		(2,445,436)	(1,077,326)
<b>Total comprehensive income (loss) attributable to:</b>			
- members of the Parent Entity		(2,445,436)	(1,077,326)
<b>Earnings per share</b>			
Basic and diluted loss per share	19	0.78 cents	0.45 cents

These financial statements should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	Consolidated Group	
		2017	2016
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	566,364	548,483
Trade and other receivables	9	6,758	2,706
Financial assets	10	10,000	-
Prepayments		588	525
<b>TOTAL CURRENT ASSETS</b>		583,710	551,714
<b>NON-CURRENT ASSETS</b>			
Financial assets	10	42,500	64,114
Exploration and evaluation expenditure	11	-	1,925,777
<b>TOTAL NON-CURRENT ASSETS</b>		42,500	1,989,891
<b>TOTAL ASSETS</b>		626,210	2,541,605
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	30,751	189,044
<b>TOTAL CURRENT LIABILITIES</b>		30,751	189,044
<b>TOTAL LIABILITIES</b>		30,751	189,044
<b>NET ASSETS</b>		595,459	2,352,561
<b>EQUITY</b>			
Issued capital	13	11,377,032	10,928,388
Reserves	14	357,770	118,080
Accumulated losses		(11,139,343)	(8,693,907)
<b>TOTAL EQUITY</b>		595,459	2,352,561

These financial statements should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2017

	Issued capital \$	Option reserve \$	Accumulated losses \$	Total \$
<b>CONSOLIDATED GROUP</b>				
<b>Balance at 30 June 2015</b>	10,928,388	118,080	(7,616,581)	3,429,887
Loss for the year	-	-	(1,077,326)	(1,077,326)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive loss for the year	-	-	(1,077,326)	(1,077,326)
<b>Balance at 30 June 2016</b>	10,928,388	118,080	(8,693,907)	2,352,561
<b>Balance at 01 July 2016</b>	10,928,388	118,080	(8,693,907)	2,352,561
Loss for the year	-	-	(2,445,436)	(2,445,436)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive loss for the year	-	-	(2,445,436)	(2,445,436)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	536,710	-	-	536,710
Transaction costs	(88,066)	-	-	(88,066)
Employee incentive plan	-	239,690	-	239,690
<b>Balance at 30 June 2017</b>	11,377,032	357,770	(11,139,343)	595,459

These financial statements should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2017

	Note	Consolidated Group	
		2017	2016
		\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(363,567)	(116,849)
Interest received		5,535	8,333
<b>Net cash used in operating activities</b>	17(b)	(358,032)	(108,516)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation expenditure		(84,345)	(66,417)
Proceeds from refund of security deposits		11,614	20,000
<b>Net cash used in investing activities</b>		(72,731)	(46,417)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		536,710	-
Capital raising costs		(88,066)	-
<b>Net cash inflow from financing activities</b>		448,644	-
<b>Net decrease in cash and cash equivalents</b>		17,881	(154,933)
Cash and cash equivalents at beginning of year		548,483	703,416
<b>Cash and cash equivalents at end of year</b>	17(a)	566,364	548,483

These financial statements should be read in conjunction with the accompanying notes.

## **Notes to the Financial Statements for the Year Ended 30 June 2017**

### **Note 1 – Nature of operations**

Ausmon Resources Limited and its subsidiary's ('the Group') principal activities consisted of carrying out exploration in minerals tenements with a focus on gold, silver, copper and other base metals and also seeking new opportunities.

### **Note 2 – General information and statement of compliance**

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Ausmon Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Ausmon Resources Limited is the Group's ultimate Parent Company. Ausmon Resources Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is World Tower, Suite 1312, 87-89 Liverpool Street, Sydney NSW 2000.

The consolidated financial statements for the year ended 30 June 2017 were approved and authorised for issue by the board of Directors on 3 August 2017.

### **Note 3 – New and revised standards that are effective for these financial statements**

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2016. None has had any impact on the Group.

#### **New accounting standards and interpretations**

Certain new accounting standards and interpretation have been issued but were not mandatory for annual reporting periods ending 30 June 2017 and have not been adopted early by the Group as follows:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

The Group's assessment is that there would be no material impact.

### **Note 4 – Summary of accounting policies**

#### **(a) Overall considerations**

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

## **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

### **(b) Basis of consolidation**

The Group financial statements consolidated those of the Parent Company and its subsidiary as of 30 June 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary in the Group has a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group.

### **(c) Going concern**

The financial position of the Group, its cash flows, liquidity position, strategy and prospects for the future are described in the Review of Operations on pages 12 to 13. At reporting date the Group has \$566,364 in cash balances, current liabilities of \$30,751 and exploration commitments of \$50,000 for the next 12 months. The Directors have reviewed the cash flow forecast for the next twelve months including consideration of the unfulfilled expenditure requirement and other committed expenses. They have also considered the historical cash requirements of the Group over the last two financial years. The Directors are of the opinion, having made due and careful enquiry, that there are reasonable grounds to form the view that the Company will be able to pay its debts as and when they become due and payable. The financial statements have been prepared on the going concern basis for the above reasons.

### **(d) Income tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

#### ***Current tax***

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

## **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

### ***Deferred tax***

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### **(e) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the sale of assets is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership.

### **(f) Cash and cash equivalents**

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

## **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

### **(g) Receivables**

Receivables represent the principal amounts due at reporting date plus accrued interest and less, where applicable, any unearned income and allowance for doubtful accounts.

### **(h) Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest, and carried forward in the statement of financial position where:

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

(ii) one of the following conditions is met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or

(ii) exploration and/or evaluation activities in the area of interest have not at reporting date, yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

Indirect costs relating to exploration and evaluation in areas of interest are capitalised in the period they are incurred. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated expenditure on areas which have been abandoned, or are considered to be of no value, is written off in the year in which such a decision is made.

### **(i) Critical accounting estimates and judgments**

The Directors evaluate estimates and judgments incorporated into the financial statements 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 internally. Actual results may differ from these estimates.

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

### ***Key estimates***

#### **(i) Impairment**

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are dependent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.



## **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior year. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value. Impairment of goodwill is not reversed.

When the Group does not intend to renew a licence expiring subsequent to reporting date or is not planning substantive exploration expenditure within the licence having regards to its perceived prospectivity, it impairs the deferred exploration expenditure at reporting date.

The Directors have reviewed the carrying value of exploration and evaluation expenditure at the year end and based on the above policies, have fully impaired the capitalised expenditure in the amount of \$2,011,807.

### **(ii) Restoration, rehabilitation and environmental protection expenditure**

Where applicable, a provision for material restoration obligations is recognised for exploration licences. The amount recognised includes costs of reclamation and site rehabilitation after taking into account restoration works which are carried out during exploration. The provision for restoration costs are determined from an estimate of future costs and are capitalised as exploration expenditure.

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

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

Management has reassessed and no provision for restoration is required as any disturbance during the field exploration work has been recognised as part of exploration and evaluation expenditure.

### **(iii) Share-based payments**

The fair value of shares issued under the Employee Incentive Plan (EIP) is measured at grant date and is determined using the Black-Scholes option pricing model that takes into account the term of the EIP shares, the exercise price, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the EIP shares.

In valuing the fair values of EIP shares issued with Qualifying Conditions (see Note 6) during the year, the Group has adopted a conservative approach in the valuation and assumed that all

## **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

qualifying conditions are satisfied on 100% probability. Hence, the Group has expensed the maximum value of the shares, valued as call options under the Black-Scholes option pricing model (see Note 6).

### **(j) Foreign currency transactions and balances**

#### ***Functional and presentation currency***

The Group's financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

#### ***Transactions and balances***

Foreign currency transactions during the year are translated into functional currency using the rates of exchange prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

### **(k) Accounts payable**

Accounts payable represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest.

### **(l) Equity-settled compensation**

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### **(m) Financial assets**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

## **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

### ***Classification and subsequent measurement of financial assets***

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

### ***Classification and subsequent measurement of financial liabilities***

The Group's financial liabilities include borrowings, trade and other payables. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### **(n) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expenses. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

## **Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### **(o) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### **(p) Earnings per share**

Basic loss per share is determined by dividing the operating loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

When the Group has an operating loss after income tax and the conversion of ordinary share capital in respect of potential ordinary shares does not lead to a diluted earnings per share that shows an inferior view of the earnings performance of the Group, than is shown by basic loss per share, the diluted loss per share is reported as the same as basic earnings per share.

### **(q) Segment reporting**

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information may be provided using different measures to those used in preparing the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the financial statements have been included, where applicable.

### **(r) Parent Entity financial information**

The financial information for the Parent Entity, Ausmon Resources Limited, disclosed in Note 22 has been prepared on the same basis as the consolidated financial statements.

### **(s) Comparative information**

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

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

**Note 5 – Other expenses**

	2017	2016
	\$	\$
Audit fees	40,122	25,500
Directors' fees	30,000	125,000
Consulting and contract fees	16,008	50,910
Listing expenses	13,989	16,510
Operating leases	10,600	10,400
Registry and ASX fees	12,393	12,020
Professional fees	26,850	22,133
Other	12,164	7,697
	162,126	270,170

**Note 6 – Share-based payments**

The model inputs for assessing the fair value of EIP shares issued during the year, applying the Black-Scholes Option Pricing model, were as follows:

<i>Description</i>	Number issued	Issue and grant date	Share price at grant date	Exercise price	Life assumption	Risk free rate	Expected price volatility	Value of EIP share
EIP shares	5,000,000	06/10/16	\$0.007	\$0.010	5 years	1.77%	89%	\$0.004
with	18,000,000 <sup>1</sup>	30/11/16	\$0.011	\$0.010	5 years	2.16%	114%	\$0.009
Qualifying Conditions	7,000,000	05/12/16	\$0.009	\$0.010	5 years	2.22%	115%	\$0.007
EIP shares with no								
Qualifying Conditions	700,000	07/12/16	\$0.009	\$0.010	5 years	2.18%	115%	\$0.007

<sup>1</sup> Of the EIP shares issued with Qualifying Conditions, 6 million shares were issued to Chairman Mr Boris Patkin and 12 million shares to Managing Director Mr John Wang, as approved by shareholders at the Annual General Meeting held on 30 November 2016.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate. Dividend is not included in the model.

EIP shares issued with Qualifying Conditions were subject to a 12 month Qualifying Period from the date of issue and during that period the shares may not be transferred or dealt with by the holder irrespective of satisfying the Qualifying Conditions.

The Qualifying Conditions which must be satisfied before the shares may be transferred or dealt with by the holder are:

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

- (a) 50% of the shares when the volume weighted average price of the Company's fully paid ordinary shares on any 20 consecutive days when the shares traded on ASX reaches or exceeds \$0.04;
- (b) 50% of the shares when the volume weighted average price of the Company's fully paid ordinary shares on any 20 consecutive days when the shares traded on ASX reaches or exceeds \$0.08; and in both cases under (a) and (b)
- (c) The Company has earned initial beneficial interests in one project or two projects yet to be identified on terms and conditions agreed by the Company for an aggregate investment of \$4 million or more.

In valuing the fair values of EIP shares issued with Qualifying Conditions during the year, the Group has adopted a conservative approach in the valuation and assumed that all qualifying conditions are satisfied on 100% probability. Hence, the Group has expensed the maximum value of the shares, valued as call options under the Black-Scholes option pricing model.

The Directors believe that the grant of those shares under the EIP is reasonable share based remuneration supplementing short term cash benefits and incentive that align the interests of those Directors and eligible persons under the EIP with those of other shareholders given the premium built in the pricing of those shares and the Qualifying conditions.

	2017	2016
	\$	\$
<b>Note 7 - Income tax</b>		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expenses as follows:		
Prima facie tax benefit on the loss from ordinary activities calculated at 27.5% (2016: 28.5%)	(672,495)	(307,038)
Tax effect of:		
Non-temporary differences	65,970	57
Equity capital raising costs debited to equity	(4,844)	(1,140)
Temporary differences and tax losses not recognized	611,369	308,121
Income tax expense	-	-

**Tax losses**

Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences at 27.5% (2016: 28.5%)	3,012,423	2,993,091
---	-----------	-----------

The taxation benefits will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by law; and

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

- (iii) no changes in tax legislation adversely affect the Group in realising the benefits from the deductions for the loss.

	2017	2016
	\$	\$
<b>Note 8 – Cash and cash equivalents</b>		
Cash at bank and in hand	566,364	548,483

**Note 9 – Trade and other receivables**

**Current**

Other receivables	6,758	2,706
-------------------	-------	-------

- (a) Allowance for impairment loss

The Group does not have trade receivables. Other receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment has been recognised by the Group in the current period. No receivables are past due.

- (b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

- (c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 20.

**Note 10 – Financial assets**

**Current**

Security deposits	10,000	-
-------------------	--------	---

**Non-current**

Security deposits	42,500	64,114
-------------------	--------	--------

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

	2017	2016
	\$	\$
<b>Note 11 – Exploration and evaluation expenditure</b>		
Exploration areas of interest at cost	-	1,925,777

**Movements during the year**

**Exploration areas :**

Balance at beginning of year	1,925,777	2,643,188
Additions at cost	86,030	66,416
Impairment	(2,011,807)	(783,827)
Balance at end of year	-	1,925,777

Ultimate recoupment of the carrying value of the exploration areas is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest. The areas of interest are exploration licences held or being earned by the Group are detailed in the schedule contained in the Licence Status, shown on page 12.

Impairment indicators in AASB 6 are considered on a project by project basis. Capitalised exploration and evaluation expenditure have been fully impaired at the year end as the related licences have expired during the year and renewals are either pending or have not been sought (see page 12) or substantial exploration work are not planned within the licences.

**Note 12 – Trade and other payables**

Trade and other payables	30,751	189,044
--------------------------	--------	---------

**Note 13 – Issued capital**

346,639,343 (2016: 239,486,486) fully paid ordinary shares	11,377,032	10,928,388
--	------------	------------

	2017		2016	
	Number	\$	Number	\$
<b>(a) Fully Paid Ordinary shares</b>				
Balance at beginning of year	239,486,486	10,928,388	239,486,486	10,928,388
Shares issued during the year:				
- Share issues for cash @ \$0.007	76,672,857	536,710	-	-
- Issues under Employee Incentive Plan	30,480,000	-	-	-
Transaction costs	-	(88,066)	-	-
Balance at end of year	346,639,343	11,377,032	239,486,486	10,928,388

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a



**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

meeting of the Company in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote.

Ordinary shares have no par value.

**(b) Capital management**

When managing capital, management’s objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

Management adjusts the capital structure to the extent possible to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to any externally imposed capital requirements.

**Note 14 – Reserves**

**Option reserve**

The option reserve records items recognised as expenses on shares granted under the Employee Incentive Plan.

**Movement on shares granted under the Employee Incentive Plan:**

	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
Balance at beginning of year	18,000,000	18,000,000
EIP shares issued with no qualifying conditions	480,000	-
Treasury shares re-issued as EIP shares with no qualifying conditions	220,000	-
EIP shares issued with qualifying conditions <sup>1</sup>	30,000,000	-
Balance at end of year	48,700,000	18,000,000

Details and valuation of the EIP shares issued during the year are described in Note 6.

**Note 15 – Related party transactions**

The Group’s related parties consist of its key management.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

**Transactions with Key Management Personnel**

Key management of the Group are the members of Ausmon Resources Limited’s Board of Directors. Key management personnel remuneration includes the following expenses:

	<b>2017</b>	<b>2016</b>
	\$	\$
Short-term employee benefits - fees	27,396	125,000
Post-employment benefits - superannuation	2,604	-
Share-based payments	162,000	-
	<u>192,000</u>	<u>125,000</u>

**Other transactions with Key Management Personnel**

Paid to Australian MBA Accountants an entity controlled by Director J Q Wang

- Services for tax return	2,300	2,000
- Office Rentals	10,600	10,400
- Professional and consultancy services	8,432	2,534
	<u>21,332</u>	<u>14,943</u>

**Note 16 – Remuneration of auditors**

Remuneration of the auditors for:

- auditing or reviewing the financial reports	<u>40,122</u>	<u>25,500</u>
---	---------------	---------------

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

	2017	2016
	\$	\$
<b>Note 17 – Notes to the Cash Flow Statement</b>		
<b>(a) Reconciliation of cash</b>		
Cash at bank and on hand	566,364	548,483
<b>(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities</b>		
Loss after income tax	(2,445,436)	(1,077,326)
Add non-cash items in operating costs:		
Impairment of exploration and evaluation expenditure	2,011,807	783,827
Share-based payments	239,690	-
Changes in assets and liabilities relating to operations:		
(Decrease)/Increase in creditors and accruals	(160,132)	169,040
(Increase)/Decrease in receivables	(3,898)	16,468
(Increase) in prepayments	(63)	(525)
Net cash used in operating activities	(358,032)	(108,516)

**Note 18 – Segment information**

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 operates in one business segment being mineral exploration. All segment 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 year.

**Note 19 – Earnings per share**

Operating loss after income tax used in the calculation of basic and diluted loss per share	(2,445,436)	(1,077,326)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share	311,824,412	239,486,486

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

**Note 20 – Financial risk management**

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2017 \$	2016 \$
<b>Financial Assets</b>			
Cash and cash equivalents	8	566,364	548,483
Trade and other receivables	9	6,758	2,706
Other financial assets	10	52,500	64,114
<b>Total Financial Assets</b>		625,622	615,303
<b>Financial Liabilities</b>			
Financial liabilities at amortised cost:			
Trade and other payables	12	30,751	189,044
<b>Total Financial Liabilities</b>		30,751	189,044

**(a) Financial risk management policies**

The Board of Directors is responsible for, amongst other issues, monitoring and managing financial risk exposures of the Group. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk. Management, in conjunction with the Board, reviews and agrees policies for managing each of these risks.

The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. This also includes the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

**(i) Interest rate risk**

The Group has cash at bank and its income and operating cash flows are exposed to changes in market interest rates.

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

At reporting date the Group had the following financial assets exposed to variable interest rate risk:

	2017	2016
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	566,364	548,483
Security deposits	52,500	64,114
	618,864	612,597

(ii) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

*Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at reporting date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 9.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

(iii) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group does not have a material exposure to liquidity risk.

(iv) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

As the Group does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mining projects will be impacted by commodity price changes (predominantly gold, silver and copper) and could impact future revenues once operational. However, management monitors current and projected commodity prices.

**(b) Net fair values**

*Fair value estimation*

The fair values of financial assets and financial liabilities are presented in the table below and can be compared to their carrying values as presented in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

For assets and liabilities, the net fair value approximates their carrying values. The Group has no financial assets where the carrying amount exceeds net fair values at reporting date.

**(c) Financial instruments**
**Interest rate risk**

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities, is as follows:

	Fixed interest rate			Non-interest bearing		Total
	Variable interest rate	Within 1 year	1 to 5 years	Within 1 year	1 to 5 years	
<b>2017</b>	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	566,357	-	-	7	-	566,364
Trade and other receivables	-	-	-	6,758	-	6,758
Security deposits	52,500	-	-	-	-	52,500
	618,857	-	-	6,765	-	625,622
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	30,751	-	30,751
<b>2016</b>						
<b>Financial assets</b>						
Cash and cash equivalents	548,480	-	-	3	-	548,483
Trade and other receivables	-	-	-	2,706	-	2,706
Security deposits	64,114	-	-	-	-	64,114
	612,594	-	-	2,709	-	615,303
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	189,044	-	189,044

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

**(d) Sensitivity analysis**

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current period results which could result from a change in these risks.

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>Interest rate sensitivity analysis</b>		
Decrease/(increase) in loss and Increase/(decrease) in equity:		
- increase in interest rate by 2%,	12,377	12,252
- decrease in interest rate by 2%	<u>(12,377)</u>	<u>(12,252)</u>

**Note 21- Controlled entity**

Great Western Minerals Pty Ltd is incorporated in Australia and is wholly-owned by the Parent Company.

**Note 22 – Parent Entity information**

Information relating to Ausmon Resources Limited (the Parent Entity):

**Statement of financial position**

Current assets	573,707	551,711
Non-current assets	52,500	1,973,978
Total assets	<u>626,207</u>	<u>2,525,689</u>
Current liabilities	30,751	189,044
Total liabilities	<u>30,751</u>	<u>189,044</u>
<b>Net assets</b>	<u>595,456</u>	<u>2,336,645</u>
Issued capital	11,377,032	10,928,388
Option reserve	357,770	118,080
Accumulated losses	(11,139,346)	(8,709,823)
<b>Total equity</b>	<u>595,456</u>	<u>2,336,645</u>

**Statement of profit or loss and other comprehensive income**

Loss for the year	(2,429,523)	(1,069,369)
Other comprehensive income	-	-
Total comprehensive loss	<u>(2,429,523)</u>	<u>(1,069,369)</u>

The Parent Entity has not entered into any financial guarantee which is outstanding and has no commitments for the acquisition of property, plant and equipment as at 30 June 2017 and 30 June 2016.

**Notes to the Financial Statements for the Year Ended 30 June 2017 (continued)**

**Note 23 – Commitments**

**Exploration expenditure commitments**

The expenditure commitments to maintain rights to tenure in exploration licences as at 30 June 2017 have not been provided for in the financial statements and are due:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Within twelve months	50,000	440,000
Twelve months or longer and not longer than five years	50,000	85,000
	<u>100,000</u>	<u>525,000</u>

On 25 July 2017, the renewal of EL 6400 for two years was confirmed with expenditure commitments of \$54,000 per year.

**Note 24 – Contingent liabilities**

The Group has no contingent liabilities at 30 June 2017 or 30 June 2016.

**Note 25 – Events after reporting 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 year 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 receipt of confirmation of renewal EL 6400 on 25 July 2017 from the Department of Industry.

The financial report was authorised for issue on 3 August 2017 by the Board of Directors.



## **DIRECTORS' DECLARATION**

### **Directors' Declaration for the year ended 30 June 2017**

- 1 In the opinion of the directors of Ausmon Resources Limited:
  - (a) the consolidated financial statements and notes of Ausmon 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 2017 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that Ausmon Resources Limited will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2017.
- 3 Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated this 3<sup>rd</sup> day of August 2017



John Wang  
Director

Grant Thornton House  
Level 3  
170 Frome Street  
Adelaide, SA 5000  
Correspondence to:  
GPO Box 1270  
Adelaide SA 5001

T 61 8 8372 6666  
F 61 8 8372 6677  
E [info.sa@au.gt.com](mailto:info.sa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Ausmon Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated statement statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Ausmon Resources Limited, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated statement report of the current period. These matters were addressed in the context of our audit of the consolidated statement report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Exploration and Evaluation Assets Note 11</b></p> <p>At 30 June 2017 the company recognised capitalised Exploration and Evaluation Assets of \$2m.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the company is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>There are a number of assumptions made when assessing the recoverability of capitalised costs and many times it is hinged upon the future success of projects or initiatives of these projects. Following management's assessment Exploration and Evaluation Assets were fully impaired at 30 June 2017.</p> <p>This area is a key audit matter due to the inherent subjectivity that is involved in the Group making judgements in relation to the evaluation for any impairment indicators, in accordance with AASB 6: <i>Exploration for and Evaluation of Mineral Resources</i>.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;</li> <li>• Reviewing management's area of interest considerations against AASB 6;</li> <li>• Conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: <ul style="list-style-type: none"> <li>- Tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;</li> <li>- Enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure; and</li> <li>- Understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale.</li> </ul> </li> <li>• Assessing management's application of AASB 136: <i>Impairment of Assets</i> where impairment indicators were identified and assessing the accuracy of any impairment recorded; and</li> <li>• Reviewing the appropriateness of the related disclosures in the financial report.</li> </ul>
<p><b>Going Concern Note 4c</b></p> <p>At reporting date the Group had \$566,364 in cash balances, current liabilities of \$30,751 and exploration commitments of \$50,000 for the next 12 months.</p> <p>The Directors have reviewed the cash flow forecast for the next twelve months including consideration of the unfulfilled expenditure requirement and other committed expenses. They have also considered the historical cash requirements of the Group over the last two financial years.</p> <p>This area is a key audit matter due to the company being dependent upon regular fundraising to support its operational activities.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining managements cash flow forecast;</li> <li>• Challenging management's assumptions used in the cash flow forecast for the forecast period;</li> <li>• Comparing the forecasts to the Board approved budgets; and</li> <li>• Reviewing the appropriateness of the related disclosures in the financial report.</li> </ul>

**Information Other than the Financial Report and Auditor's Report Thereon**

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors' for the Financial Report**

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

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

**Report on the Remuneration Report**  
**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Ausmon Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M D Dewhurst  
Partner – Audit & Assurance

Sydney, 3 August 2017

## ADDITIONAL INFORMATION

Additional information included in accordance with Listing Rules of the ASX Limited.

### 1. SHAREHOLDINGS

#### (a) Distribution of Shareholders as at 30 June 2017

Size of Holding	Holders	Ordinary Shares Held	%
1-1,000	11	2,989	0.001
1,001-5,000	12	42,124	0.012
5,001- 10,000	92	904,123	0.261
10,001-100,000	103	4,935,076	1.424
100,001 – and over	160	340,755,031	98.302
	<b>378</b>	<b>346,639,343</b>	<b>100.000</b>

182 shareholders held less than a marketable parcel.

#### (b) Top Twenty Shareholders as at 30 June 2017

Shareholder	Number of Ordinary Shares	% Held of Issued Ordinary Capital
BAIRONG FENG	23,142,857	6.676
LIUBAO QIAN	20,000,000	5.770
WUJIANG INVESTMENT PTY LTD	15,432,720	4.452
LAMDIAN PTY LTD <SAMYUE SUPERFUND A/C>	14,607,857	4.214
FORT CAPITAL PTY LTD	14,500,000	4.183
KING MING FAN	14,025,001	4.046
AUSTRALASIA ACCESS PTY LTD	14,000,000	4.039
OCTAN ENERGY PTY LTD	13,898,857	4.010
YAU MAN FAMILY PTY LTD <YAU MAN FAMILY A/C>	13,788,989	3.978
MR JOHN WANG	12,375,000	3.570
SNOWY PLAINS PTY LTD	12,142,857	3.503
MR YONGJIAN WANG	8,000,000	2.308
MRS SHIRLEY SAM YUE	7,804,857	2.252
C K CAMDEN PTY LTD	6,325,000	1.825
LANDPATH PTY LTD	6,142,857	1.772
MRS MAN SUN NG	5,975,000	1.724
MS LI MIN ZENG & MR GUO YI ZENG <THE ZENG S/F A/C>	5,027,771	1.450
MR KEVIN DANIEL LEARY & MRS HELEN PATRICIA LEARY	4,763,000	1.374
MR ALAN BRIEN & MRS MELINDA BRIEN <A & M BRIEN SMSF A/C>	4,552,180	1.313
MS SHUYAN REN	4,434,560	1.279
<b>Twenty largest shareholders</b>	<b>220,939,363</b>	<b>63.74</b>
<b>Others</b>	<b>125,699,980</b>	<b>36.26</b>
	<b>346,639,343</b>	<b>100.0</b>

## **AUDIT REPORT**

### **2. VOTING RIGHTS**

- (a) At meetings of members each member entitled to vote may vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorized.
- (b) On a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote.
- (c) On a poll every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he is a holder.

### **3. AUDIT COMMITTEE**

As at the date of this report the Company does not have an Audit Committee.

### **4. SUBSTANTIAL SHAREHOLDERS**

The securities held by substantial shareholders are as follows:

<b>Name</b>	<b>Number of Shares</b>
BAIRONG FENG	23,142,857
LIUBAO QIAN	20,000,000