

DUKETON MINING LIMITED

**ANNUAL FINANCIAL
REPORT**

2016

Corporate Information

DUKETON MINING LTD

ABN 76 159 084 107

Directors

Seamus Cornelius (Non-Executive Chairman)

Stuart Fogarty (Managing Director)

Heath Hellewell (Non-Executive Director)

Company Secretary

Dennis Wilkins

Registered Office

Ground Floor, 20 Kings Park Road
WEST PERTH WA 6005

Principal Place of Business

Ground Floor, 31 Ventnor Avenue
WEST PERTH WA 6005
Telephone: +61 8 6315 1490
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Solicitors

Kings Park Corporate Lawyers
Level 2, 45 Richardson Street
WEST PERTH WA 6005

Bankers

Australia and New Zealand Banking Group Limited
Level 1, 1275 Hay Street
WEST PERTH WA 6005

National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditors

Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Avenue
WEST PERTH WA 6005

Internet Address

www.duketonmining.com.au

Stock Exchange Listing

Duketon Mining Ltd shares are listed on the Australian Securities Exchange (ASX code: DKM)

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Directors' Report

The directors present their report together with the financial report of Duketon Mining Ltd ("Duketon" or "the Company") for the year ended 30 June 2016.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Seamus Cornelius

Non-Executive Chairman, LLB, LLM (Age 50)

Mr Cornelius is a corporate lawyer and former partner of one of Australia's leading international law firms. He specialised in cross-border transactions, particularly in the resources sector.

Mr Cornelius has been based in Shanghai and Beijing since 1993 and brings more than 20 years of corporate experience in legal and commercial negotiations. He has also advised global companies on their investments in China and in recent years advised Chinese State-owned entities on their investments in overseas resource projects.

Mr Cornelius is currently the Chairman of Buxton Resources Ltd since 29 November 2010, Montezuma Mining Company Ltd since 30 June 2011 and Danakali Ltd since 15 July 2014.

Stuart Fogarty

Managing Director B.Sc (Geology) (Hons) (Age 44)

Mr Fogarty has over 20 years of exploration experience with BHP Billiton and Western Mining Corporation. Until recently, he was BHP's Senior Exploration Manager for North and South America. Mr Fogarty has a very strong background in nickel and gold exploration, having commenced his career at Kambalda Nickel Operations in 1994. He has held senior roles with BHP including Senior Geoscientist for nickel exploration in the Leinster and Mt Keith region, Project Manager WA Nickel Brownfields and Regional Manager Australia – Asia where he was responsible for a \$100 million per annum exploration budget.

Mr Fogarty is currently a non-executive director of Windward Resources Ltd since 25 June 2015. Mr Fogarty is a former non-executive director of Buxton Resources Ltd (resigned 30 June 2015).

Heath Hellewell

B.Sc (Hons), MAIG (Age 46)

Mr Hellewell is an exploration geologist with over 20 years of experience in gold, base metals and diamond exploration predominantly in Australia and West Africa. Most recently, Mr Hellewell was the co-founding Executive Director of Doray Minerals Limited (Doray), where he was responsible for the company's exploration and new business activities. Following the discovery of its Andy Well gold deposits in 2010, Doray was named "Gold Explorer of the Year" in 2011 by The Gold Mining Journal. In 2014 Mr Hellewell was the co-winner of the prestigious "Prospector of the Year" award, presented by the Association of Mining and Exploration Companies.

Mr Hellewell was also part of the Independence Group NL team that identified and acquired the Tropicana project area, eventually leading to the discovery of the Tropicana and Havana gold deposits.

Mr Hellewell is currently an independent Non-Executive Director of Core Exploration Ltd since 15 September 2014 and Capricorn Metals Ltd since 3 February 2016. Within the last three years, Mr Hellewell has been a former director of ASX listed company Doray Minerals Ltd (resigned 30 June 2014).

COMPANY SECRETARY

Dennis Wilkins

B.Bus, MAICD, ACIS (Age 53)

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd a leading privately held corporate advisory firm servicing the natural resources industry. Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. From 1995 to 2001 he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006.

Directors' Report (Cont'd)

Since July 2001 Mr Wilkins has been a running DWCorporate Pty Ltd where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector. Mr Wilkins is currently a non-executive director of Key Petroleum Ltd since 5 July 2006, TSX listed Mawson West Ltd since 3 August 2015, and an alternate director of Middle Island Resources Ltd since 1 May 2010. Within the last three years, Mr Wilkins has been a former director of ASX listed companies Duketon Mining Ltd (resigned 18 November 2014), A1 Consolidated Gold Ltd (resigned 11 May 2015) and Shaw River Manganese Ltd (resigned 18 December 2015).

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Duketon Mining Limited were:

	Ordinary Shares	Options over Ordinary Shares
Seamus Cornelius	3,557,850	3,000,000
Stuart Fogarty	400,000	7,050,000
Heath Hellewell	100,000	1,000,000

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year consisted of exploration and evaluation of mineral resources. There was no significant change in the nature of the Company's activities during the year.

DIVIDENDS

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

FINANCE REVIEW

The Company began the year with cash reserves of \$5,359,519 and listed equity investments with a market value of \$1,421,305. Funds were used for exploration activities on the gold and nickel targets within the Duketon Project and working capital purposes.

The Company recorded a net loss after tax of \$1,614,947 (2015: \$3,120,117) for the financial year ended 30 June 2016 and included in the loss for the year was exploration expenditure of \$1,235,088 (2015: \$3,348,863). In line with the Company's accounting policies, all exploration expenditure is written off in the year incurred. The Company had total cash on hand at the end of the year of \$3,694,142, and listed equity investments with a market value of \$1,329,445.

Operating Results for the Year

Summarised operating results are as follows:

	2016	
	Revenues	Results
	\$	\$
Revenues and loss from ordinary activities before income tax expense	227,428	(1,614,947)

Shareholder Returns

	2016	2015
Basic loss per share (cents)	(2.0)	(3.9)

Directors' Report (Cont'd)

Risk Management

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No matters or circumstances, besides those disclosed at note 19, have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Details of important developments occurring in this financial year have been covered in the Review of Operations section of the Directors' Report. The Company will continue activities in the exploration, evaluation and development of the Duketon Project and mineral tenements with the objective of developing a significant mining operation and any significant information or data will be released to the market and the shareholders pursuant to the Continuous Disclosure rules as and when they come to hand.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

REMUNERATION REPORT

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

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Duketon Mining Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of Duketon Mining Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives (if any) of the Company is as follows:

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

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

The directors and executives (if any) receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2016 financial year. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

Directors' Report (Cont'd)

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is (currently \$300,000) and set in accordance with the constitution of the Company. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

Performance based remuneration

The Company currently has no performance based remuneration component built into key management personnel remuneration packages.

Company performance, shareholder wealth and key management personnel remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of key management personnel interests in options at year end, refer to the 'Option holdings' section later in the Remuneration Report.

Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 30 June 2016.

Voting and comments made at the Company's 2015 Annual General Meeting

The Company received approximately 99.2% of "yes" votes on its remuneration report for the 2015 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Details of remuneration

Details of the remuneration of the key management personnel of the Company are set out in the following table.

The key management personnel of the Company include the directors as per page 4 above.

Key management personnel of the Company

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non-Monetary	Super-annuation	Retirement benefits	Options	
	\$	\$	\$	\$	\$	\$
Directors						
Seamus Cornelius						
2016	50,000	-	-	-	13,200	63,200
2015	45,516	-	-	-	22,000	67,516
Stuart Fogarty						
2016	235,000	-	22,325	-	26,400	283,725
2015	225,385	-	21,412	-	54,694	301,491
Heath Hellewell						
2016	36,880⁽¹⁾	-	-	-	13,200	50,080
2015	20,000	-	-	-	22,000	42,000
Dennis Wilkins (resigned 18 November 2014)						
2015	36,118 ⁽²⁾	-	-	-	11,000	47,118
Total key management personnel compensation						
2016	321,880	-	22,325	-	52,800	397,005
2015	327,019	-	21,412	-	109,694	458,125

Directors' Report (Cont'd)

- (1) Included within Mr Hellewell's salary and fees is an amount of \$6,880 (2015: nil) for consulting geological services provided by Mr Hellewell to the Company. The amounts paid were at usual commercial rates with fees charged on an hourly basis.
- (2) Following his resignation as a director, Mr Wilkins is no longer classified as a key management person. The remuneration included above is for the period that he was classified as a key management person (1 July 2014 to 18 November 2014), and includes all payments to DWCorporate Pty Ltd ("DWC") during this period. DWC is engaged to provide accounting and company secretarial services. The agreement provides for a monthly fee of \$5,000 with provision for additional fees charged on an hourly basis for work outside scope. The agreement with DWC is ongoing, with 3 months' notice of termination required by either party.

Service agreements

Stuart Fogarty, Managing Director:

- Annual salary of \$256,737 (including statutory superannuation).
- The Company or the Executive may terminate, without cause, the Executive's employment at any time by giving three calendar months' written notice.
- In the event the Managing Director is terminated as result of one of the following circumstances the Company will make a twelve calendar months Redundancy Payment to the Executive at the base salary:
 - o the Executive's position is made redundant by the Board;
 - o there is a material diminution in the responsibilities or powers assigned to the Executive by the Board; or
 - o there is a material reduction in the remuneration payable to the Executive as determined by the Board.

Share-based compensation

Options are issued at no cost to key management personnel as part of their remuneration. The options are not issued based on performance criteria, but are issued to the key management personnel of Duketon Mining Limited to increase goal congruence between key management personnel and shareholders. The following options over ordinary shares of the Company were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per Option at Grant Date (cents)	Exercised Number	% of Remuneration
Directors								
Seamus Cornelius	15/12/2015	500,000	15/12/2015	30/11/2020	20.0	2.6	-	20.9
Stuart Fogarty	15/12/2015	1,000,000	15/12/2015	30/11/2020	20.0	2.6	-	9.3
Heath Hellewell	15/12/2015	500,000	15/12/2015	30/11/2020	20.0	2.6	-	26.4

In respect of share options granted, the (theoretical) fair value is recognised over the vesting period as an employee benefit expense with a corresponding increase in equity. The theoretical fair value of the options is calculated at the date of grant taking into account the terms and conditions upon which the options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The Directors do not consider the resultant value as determined by the Black-Scholes Option Pricing Model is in anyway representative of the market value of the share options issued, however, in the absence of reliable measure of the goods or services received, AASB 2: Share-based Payment prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing equity instruments, at the date of grant.

Directors' Report (Cont'd)

Equity instruments held by key management personnel

Share holdings

The numbers of shares in the company held during the financial year by each director of Duketon Mining Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2016

	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Duketon Mining Limited				
Ordinary shares				
Seamus Cornelius	3,107,870	-	449,980	3,557,850
Stuart Fogarty	400,000	-	-	400,000
Heath Hellewell	100,000	-	-	100,000

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Duketon Mining Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2016

	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Duketon Mining Limited							
Seamus Cornelius	2,500,000	500,000	-	-	3,000,000	3,000,000	-
Stuart Fogarty	6,050,000	1,000,000	-	-	7,050,000	7,050,000	-
Heath Hellewell	500,000	500,000	-	-	1,000,000	1,000,000	-

Loans to key management personnel

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

End of audited Remuneration Report

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2016 and the number of meetings attended by each Director were:

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Total Available	Attended	Total Available	Attended	Total Available	Attended
Seamus Cornelius	3	3	2	1	1	1
Stuart Fogarty	3	3	2	2	1	1
Heath Hellewell	3	3	2	2	1	1

Directors' Report (Cont'd)

SHARES UNDER OPTION

Unissued ordinary shares of Duketon Mining Ltd under option at the date of this report are as follows:

Date options issued	Expiry date	Exercise price (cents)	Number of options
14 May 2013	14 May 2019	35.0	8,250,000
1 August 2013	1 August 2019	20.0	15,000,000
17 March 2014	31 March 2019	20.0	3,000,000
17 March 2014	31 March 2019	25.0	1,500,000
17 March 2014	31 March 2019	30.0	1,000,000
17 March 2014	31 March 2019	35.0	1,550,000
4 August 2014	4 August 2017	35.0	3,000,000
18 November 2014	18 November 2019	20.2	2,250,000
17 February 2015	31 January 2018	30.0	300,000
15 December 2015	30 November 2020	20.0	2,800,000
Total number of options outstanding at the date of this report			38,650,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

INSURANCE OF DIRECTORS AND OFFICERS

During the year, the Company has paid a premium in respect of Directors' and Executive Officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Rothsay Chartered Accountants or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Rothsay Chartered Accountants received or are due to receive the following amounts for the provision of non-audit services:

	2016 \$	2015 \$
Tax compliance services	750	-

Directors' Report (Cont'd)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the directors.



Stuart Fogarty
Managing Director

Perth, 27 September 2016



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Phone 9486 7094 www.rothsayresources.com.au

The Directors
Duketon Mining Ltd
31 Ventnor St
West Perth WA 6005

Dear Sirs

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2016 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan (Lead auditor)

Rothsay

Dated 27 September 2016



Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Company 2016 \$	2015 \$
REVENUE			
Interest	4(a)	127,428	190,465
Other income	4(b)	100,000	-
Fair value gain on financial assets at fair value through the profit or loss		-	688,588
EXPENDITURE			
Administration expenses		(320,522)	(415,812)
Depreciation expense		(1,572)	(1,572)
Employee benefits expenses		(119,413)	(113,419)
Exploration expenditure		(1,235,088)	(3,348,863)
Fair value loss on financial assets at fair value through the profit or loss		(91,860)	-
Share based payment expense	22	(73,920)	(119,504)
LOSS BEFORE INCOME TAX		(1,614,947)	(3,120,117)
INCOME TAX	6	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF DUKETON MINING LIMITED		(1,614,947)	(3,120,117)
Basic and diluted earnings per share (cents per share)	21	(2.0)	(3.9)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

AS AT 30 JUNE 2016

	Notes	Company 2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	7	3,694,142	5,359,519
Trade and other receivables	8	57,346	114,539
Financial assets at fair value through profit or loss	9	1,329,445	1,421,305
TOTAL CURRENT ASSETS		5,080,933	6,895,363
NON-CURRENT ASSETS			
Plant and equipment	10	1,302	2,874
TOTAL NON-CURRENT ASSETS		1,302	2,874
TOTAL ASSETS		5,082,235	6,898,237
CURRENT LIABILITIES			
Trade and other payables	11	203,260	478,235
TOTAL CURRENT LIABILITIES		203,260	478,235
TOTAL LIABILITIES		203,260	478,235
NET ASSETS		4,878,975	6,420,002
EQUITY			
Issued capital	12	14,317,635	14,317,635
Reserves	13(a)	1,151,085	1,077,165
Accumulated losses	13(b)	(10,589,745)	(8,974,798)
TOTAL EQUITY		4,878,975	6,420,002

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

Company	Notes	Contributed Equity \$	Options Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2014		8,093,061	843,061	(5,854,681)	3,081,441
Loss for the year		-	-	(3,120,117)	(3,120,117)
TOTAL COMPREHENSIVE LOSS		-	-	(3,120,117)	(3,120,117)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	12	6,775,000	-	-	6,775,000
Share issue transaction costs		(550,426)	114,600	-	(435,826)
Employee and contractor options	13(a)	-	119,504	-	119,504
BALANCE AT 30 JUNE 2015		14,317,635	1,077,165	(8,974,798)	6,420,002
Loss for the year		-	-	(1,614,947)	(1,614,947)
TOTAL COMPREHENSIVE LOSS		-	-	(1,614,947)	(1,614,947)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Employee and contractor options	13(a)	-	73,920	-	73,920
BALANCE AT 30 JUNE 2016		14,317,635	1,151,085	(10,589,745)	4,878,975

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Company 2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		131,659	181,833
Payments to suppliers and employees		(428,018)	(480,583)
Expenditure on mining interests		(1,466,124)	(3,070,586)
Proceeds on sale of mining interests		100,000	-
Proceeds from disposal of financial assets at fair value through profit or loss		-	653,233
Payments for financial assets at fair value through profit or loss		-	(6,417)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	20	(1,662,483)	(2,722,520)
CASH FLOWS FROM INVESTING ACTIVITIES			
NET CASHFLOW FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	6,775,000
Payments for share issue transaction costs		-	(435,826)
Payments for small parcel roundup		(2,894)	(31,279)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		(2,894)	6,307,895
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,665,377)	3,585,375
Cash and cash equivalents at the beginning of the financial year		5,359,519	1,774,144
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	3,694,142	5,359,519

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Company consisting of Duketon Mining Ltd. The financial statements are presented in the Australian currency. Duketon Mining Ltd is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 27 September 2016. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

(i) Compliance with IFRS

The financial statements of Duketon Mining Ltd comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Company

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company during the financial year.

(iii) Early adoption of standards

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

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Segment reporting

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

(c) Revenue recognition

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

(d) Income tax

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

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

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

Notes to the Financial Statements (Cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

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

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

(e) Leases

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

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

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

(h) Trade and other receivables

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

(i) Investments and other financial assets

Classification

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

Notes to the Financial Statements (Cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Financial assets - reclassification

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

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

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

Notes to the Financial Statements (Cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Company's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(j) Plant and equipment

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

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

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rate used was 33% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

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

(k) Exploration and evaluation costs

Exploration and evaluation costs are expensed as they are incurred.

(l) Trade and other payables

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

(m) Employee benefits

(i) Wages and salaries and annual leave

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

Notes to the Financial Statements (Cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(ii) Share-based payments

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

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

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

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

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

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

(n) Issued capital

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

(o) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Goods and Services Tax (GST)

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

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

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

(q) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Company.

Notes to the Financial Statements (Cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

AASB 9 *Financial Instruments* (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

- (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in December 2014.

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on or after 1 January 2015.

Based on the financial assets and liabilities currently held, the Company does not anticipate any impact on the financial statements upon adoption of this standard. The Company does not presently engage in hedge accounting.

AASB 15 *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2017).

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations (IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Notes to the Financial Statements (Cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

- a) Step 1: Identify the contract(s) with a customer
- b) Step 2: Identify the performance obligations in the contract
- c) Step 3: Determine the transaction price
- d) Step 4: Allocate the transaction price to the performance obligations in the contract
- e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

There will be no impact on the Company's financial position or performance.

AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonable certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- IFRS 16 contains disclosure requirements for lessees.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted, provided the new revenue standard, AASB 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as AASB 16.

The effect of this amendment on the Company's financial statements has yet to be determined.

(r) Critical accounting judgements, estimates and assumptions

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

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Notes to the Financial Statements (Cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share based payment transactions

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

2. FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia, the Company is not exposed to any material foreign exchange risk.

(ii) Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the statement of financial position at fair value through the profit and loss. The Company is not exposed to commodity price risk. At the reporting date, the Company has investments in ASX listed equity securities.

Sensitivity analysis

The Company's equity investments are listed on the Australian Stock Exchange (ASX) and are all classified at fair value through the profit or loss. At 30 June 2016, if the value of the equity investments held had increased/decreased by 15% with all other variables held constant, post tax loss for the Company would have been \$199,417 lower/higher (2015: \$213,196 lower/higher) as a result of gains/losses on the fair value of the financial assets.

(iii) Interest rate risk

The Company is exposed to movements in market interest rates on cash and cash equivalents. The Company's policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Company \$3,694,142 (2015: \$5,359,519) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Company was 2.8% (2015: 2.9%).

Sensitivity analysis

At 30 June 2016, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Company would have been \$44,928 lower/higher (2015: \$65,253 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

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

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

(c) Liquidity risk

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

Notes to the Financial Statements (Cont'd)

2. FINANCIAL RISK MANAGEMENT (Cont'd)

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

(d) Fair value estimation

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

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

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

3. SEGMENT INFORMATION

Industry and geographical segment

The Company operates in one segment, being the mining exploration sector in Australia.

In determining operating segments, the Company has had regard to the information and reports the Managing Director decision maker uses to make strategic decisions regarding resources. The Managing Director is considered to be the chief operating decision maker and is empowered by the Board of Directors to allocate resources and assess the performance of the Company.

4. REVENUE AND OTHER INCOME

	Company	
	2016	2015
	\$	\$
(a) Revenue		
Other revenue		
Interest from financial institutions	127,428	190,465
(b) Other income		
Gain on sale of mineral interests	100,000	-

5. EXPENSES

Loss before income tax includes the following specific expenses:

Superannuation expense	38,402	31,939
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6. INCOME TAX

(a) Income tax expense/(benefit)

Current tax	-	-
Deferred tax	-	-
	-	-

Notes to the Financial Statements (Cont'd)

	Company	
	2016	2015
	\$	\$
6. INCOME TAX (Cont'd)		
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(1,614,947)	(3,120,117)
Prima facie tax benefit at the Australian tax rate of 28.5% (2015: 30%)	(460,260)	(936,035)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	21,067	35,851
Other	-	52
	(439,193)	(900,132)
Movements in unrecognised temporary differences	26,180	(326,666)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	413,013	1,226,798
Income tax expense/(benefit)	-	-
(c) Unrecognised temporary differences		
Deferred Tax Assets at 28.5% (2015: 30%)		
<i>On Income Tax Account</i>		
Capital raising costs	-	104,598
Financial assets at fair value through profit or loss	49,164	24,194
Carry forward tax losses	2,823,541	2,657,437
	2,872,705	2,786,229
Set off of deferred tax liabilities	-	-
Net deferred tax assets	2,872,705	2,786,229
Less deferred tax assets not recognised	(2,872,705)	(2,786,229)
	-	-
Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.		
The Company's ability to use losses in the future is subject to the Company satisfying the relevant tax authority's criteria for using these losses.		
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	166,937	433,922
Short-term deposits	3,527,205	4,925,597
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	3,694,142	5,359,519
Cash at bank earns interest at floating rates based on daily bank deposit rates.		
Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.		
8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Trade and other receivables	57,346	114,539

Notes to the Financial Statements (Cont'd)

	Company	
	2016	2015
	\$	\$

9. CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Australian listed equity securities	1,329,445	1,421,305
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The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

Changes in fair values of financial assets at fair value through profit or loss are disclosed directly on the face of the statement of profit or loss and other comprehensive income.

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment

Cost	4,708	4,708
Accumulated depreciation	(3,406)	(1,834)
Net book amount	1,302	2,874

Plant and equipment

Opening net book amount	2,874	4,446
Depreciation charge	(1,572)	(1,572)
Closing net book amount	1,302	2,874

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	114,827	346,620
Other payables and accruals	62,391	102,679
Funds held on trust for unmarketable parcel roundup	26,042	28,936
	203,260	478,235

12. ISSUED CAPITAL

(a) Share capital

		2016		2015	
	Notes	Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	12(b), 12(d)	82,524,812	14,317,635	82,524,812	14,317,635
Total issued capital		82,524,812	14,317,635	82,524,812	14,317,635

	2016		2015	
	Number of shares	\$	Number of shares	\$
(b) Movements in ordinary share capital				
Beginning of the financial year	82,524,812	14,317,635	47,524,812	8,093,061
<i>Issued during the year:</i>				
• Issued for cash @ \$0.20 each (i)	-	-	35,000,000	6,775,000
Transaction costs	-	-	-	(550,426)
End of the financial year	82,524,812	14,317,635	82,524,812	14,317,635

- (i) Initial Public Offering with shares issued in the 2015 financial year, with part proceeds received during the 2014 financial year.

Notes to the Financial Statements (Cont'd)

12. ISSUED CAPITAL (Cont'd)

(c) Movements in options on issue

	Number of options	
	2016	2015
Beginning of the financial year	35,850,000	30,750,000
Issued, exercisable at \$0.20 on or before 30 November 2020	2,800,000	-
Issued, exercisable at \$0.202 on or before 18 November 2019	-	2,250,000
Issued, exercisable at \$0.30 on or before 31 January 2018	-	300,000
Issued, exercisable at \$0.35 on or before 4 August 2017	-	3,000,000
Cancelled, exercisable at \$0.35 on or before 31 March 2019	-	(450,000)
End of the financial year	38,650,000	35,850,000

(d) Ordinary shares

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

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

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

(e) Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2016 and 30 June 2015 are as follows:

	Company	
	2016	2015
	\$	\$
Cash and cash equivalents	3,694,142	5,359,519
Trade and other receivables	57,346	114,539
Financial assets at fair value through profit or loss	1,329,445	1,421,305
Trade and other payables	(203,260)	(478,235)
Working capital position	4,877,673	6,417,128

13. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

Share-based payments reserve

Balance at beginning of year	1,077,165	843,061
Supplier options	-	114,600
Employees and contractors options	73,920	119,504
Balance at end of year	1,151,085	1,077,165

Notes to the Financial Statements (Cont'd)

	Company	
	2016	2015
	\$	\$
13. RESERVES AND ACCUMULATED LOSSES (Cont'd)		
(b) Accumulated losses		
Balance at beginning of year	(8,974,798)	(5,854,681)
Net loss for the year	(1,614,947)	(3,120,117)
Balance at end of year	<u>(10,589,745)</u>	<u>(8,974,798)</u>

(c) Nature and purpose of reserves

Share-based payments reserve

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

14. DIVIDENDS

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

15. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Short-term benefits	321,880	327,019
Post-employment benefits	22,325	21,412
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	52,800	109,694
	<u>397,005</u>	<u>458,125</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 6 to 9.

(b) Loans to related parties

There were no loans to related parties, including key management personnel, during the year.

16. REMUNERATION OF AUDITORS

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

(a) Audit services

Rothsay Chartered Accountants - audit and review of financial reports	<u>26,500</u>	<u>36,500</u>
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(b) Non-audit services

Rothsay Chartered Accountants – tax compliance services	<u>750</u>	<u>-</u>
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17. CONTINGENCIES

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

Notes to the Financial Statements (Cont'd)

	Company	
	2016	2015
	\$	\$
18. COMMITMENTS		
Exploration commitments		
The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:		
within one year	1,201,160	1,225,600
later than one year but not later than five years	2,772,600	4,902,400
later than five years	2,105,400	-
	6,079,160	6,128,000
19. EVENTS OCCURRING AFTER THE REPORTING DATE		
On 18 August 2016 the Company issued a total of 20,631,200 ordinary shares at an issue price of \$0.235 to raise gross funds of \$4,848,332. The shares were issued as a placement to sophisticated and institutional investors.		
No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.		
20. CASH FLOW INFORMATION		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	(1,614,947)	(3,120,117)
Non-Cash Items		
Share-based payment expense	73,920	119,504
Depreciation expense	1,572	1,572
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	57,193	(75,111)
Decrease/(increase) in financial assets at fair value through profit or loss	91,860	(41,772)
(Decrease)/increase in trade and other payables	(272,081)	393,404
Net cash outflow from operating activities	(1,662,483)	(2,722,520)
21. LOSS PER SHARE		
(a) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	(1,614,947)	(3,120,117)
(b) Weighted average number of shares used as the denominator		
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	82,524,812	80,223,442
(c) Information on the classification of options		
As the Company has made a loss for the year ended 30 June 2016, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.		

Notes to the Financial Statements (Cont'd)

22. SHARE-BASED PAYMENTS

a) Employee and Consultant Options

The Company provides benefits to employees (including directors), contractors and consultants of the Company in the form of share-based payment transactions, whereby employees, contractors and consultants render services in exchange for options to acquire ordinary shares. The options issued have exercise prices ranging from \$0.20 to \$0.35 and expiry dates ranging from 31 January 2018 to 30 November 2020.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

The weighted average fair value of the options granted during the year was 2.6 cents (2015: 4.3 cents). The fair value was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016	2015
Weighted average exercise price (cents)	20.0	21.4
Weighted average life of the option (years)	5.0	4.8
Weighted average underlying share price (cents)	10.0	13.5
Expected share price volatility	50.0%	50.0%
Risk free interest rate	2.3%	2.69%

b) Supplier Options

Suppliers have been granted options in accordance with the terms of the non-renounceable pro-rata rights issue prospectus issued in May 2013, and the Initial Public Offering issued in August 2015. The options issued have exercise prices ranging from \$0.20 to \$0.35 and expiry dates ranging from 4 August 2017 to 1 August 2019.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

There were no options issued during the 2016 financial year. The weighted average fair value of the options granted during the 2015 financial year was 2.9 cents. The fair value was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016	2015
Weighted average exercise price (cents)	-	35.0
Weighted average life of the option (years)	-	3.4
Weighted average underlying share price (cents)	-	20.0
Expected share price volatility	-	50.0%
Risk free interest rate	-	2.74%

Set out below are summaries of the share-based payment options granted per (a) and (b):

	Company			
	2016		2015	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	35,850,000	25.9	30,750,000	25.6
Granted	2,800,000	20.0	5,550,000	28.7
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(450,000)	35.0
Outstanding at year-end	38,650,000	25.5	35,850,000	25.9
Exercisable at year-end	38,650,000	25.5	35,850,000	25.9

Notes to the Financial Statements (Cont'd)

22. SHARE-BASED PAYMENTS (Cont'd)

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.9 years (2015: 3.8 years), with exercise prices ranging from \$0.20 to \$0.35.

c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Company	
	2016	2015
	\$	\$
Options issued to employees and contractors shown as share-based payments	73,920	119,504
Options issued to suppliers as part of share issue transaction costs	-	114,600
	73,920	234,104

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 32 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Stuart Fogarty
Managing Director

Perth, 27 September 2016



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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF DUKETON MINING LIMITED

Report on the financial report

We have audited the accompanying financial report of Duketon Mining Limited ("the Company") which comprises the statement of financial position as at 30 June 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

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



Chartered Accountants



Audit opinion

In our opinion the financial report of Duketon Mining Limited is in accordance with the *Corporations Act 2001*, including:

- a) (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

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

Audit opinion

In our opinion the remuneration report of Duketon Mining Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham R Swan FCA
Partner

Dated 27 September 2016



Chartered Accountants