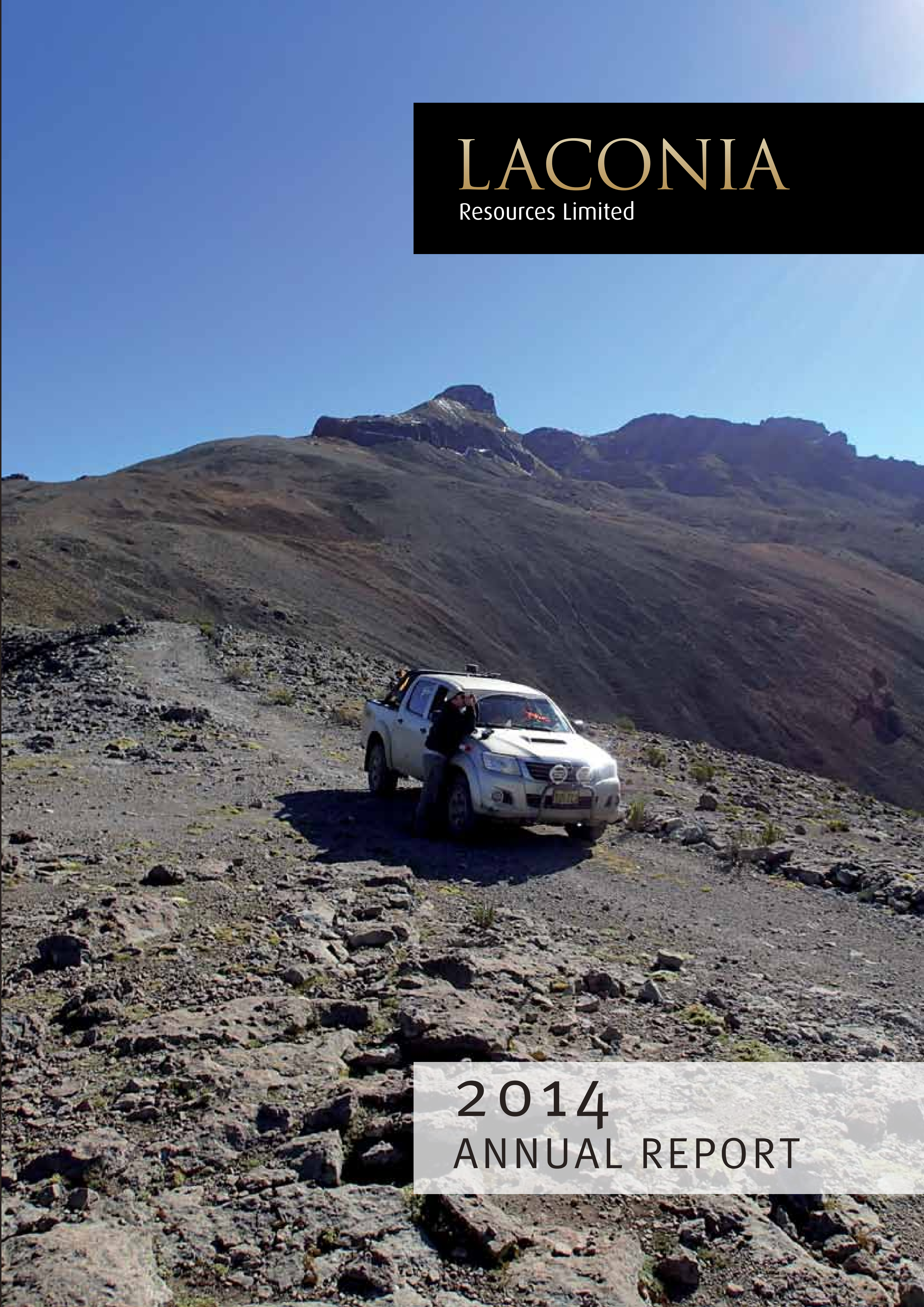

LACONIA
Resources Limited

2014
ANNUAL REPORT

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ABN 29 137 984 297

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Stock Exchange Listing

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

Contents

Annual Report for the year ending 30 June 2014

CHAIRMAN'S REPORT

Dear Shareholder

It gives me great pleasure to submit the fifth Annual Report of Laconia Resources Limited ("Laconia"). Laconia has been very active over the last 12 months with a number of significant milestones reached including the notable success of gaining social licence and drill permitting over its Kimsa Orcco copper-gold-silver project in southern Peru. The gaining of social licence and drill permitting has been achieved after an extensive and time consuming process and represents a significant achievement by Laconia's management.

Ongoing geological evaluation and field work has defined further areas prospective for epithermal copper-gold-silver mineralisation in the southern portion of the greater Kimsa Orcco Project, the Favi Vent Zone. The zone has more than 800 metres strike length of quartz-sulphide veining plus breccia pipes prospective for copper-gold-silver mineralisation, with some high-grade occurrences of lead, zinc and tellurium. Vein systems at the Favi Vent Zone are priority drill targets for work programs planned following positive results from adit and surface sampling by Laconia during 2014.

It is Laconia's intention to drill high-grade copper targets in its own right and the Company is defining the drilling program through a systematic approach of surface sampling and geological mapping. Geophysical methods are being evaluated to further define targets for deeper drilling targeting a bulk tonnage porphyry stock. Additionally Laconia believes drilling for high-grade copper with its association with high-grade precious metals will also add to the existing gold-silver inventory.

The Kimsa Orcco Project now has three elements to consider with multiple mineralisation styles and opportunities including the existing high-grade gold-silver at the Rasuhuilca deposit Mineral Resource, high-grade copper-gold-silver identified over a strike length of > 800 m at the Favi Zone, with the potential to bring into a near surface epithermal copper-gold-silver resource, and the much larger prize of bulk tonnage copper-gold in an underlying porphyry stock.

Since acquiring the Kimsa Orcco Project in 2012, Laconia has recognised the Kimsa Orcco Project to have the potential for size and scale far exceeding its initial expectations. This Project's size and scale has attracted the interest of a number of internationally focussed major copper companies.

We believe that this corporate interest validates Laconia's view of the enormous exploration scope and scale it has identified at its Kimsa Orcco Project. The achievement in securing social licence and drill permitting is considered a major value uplift for the Company and has been reflected in increased corporate interest generated immediately after gaining these critical approvals. Several of these major copper companies have visited site or are planning visits as part of their due diligence. Laconia is actively managing this process.

The Kimsa Orcco Project was initially considered a small but high-grade gold-silver resource when acquired by Laconia in June 2012. The potential for large "blue sky" porphyry potential was also recognised but Laconia considered any real progress toward exploring this would be a number of years away and initially concentrated its efforts in understanding mineralisation at its Rasuhuilca deposit gold-silver Mineral Resource. What has become apparent through Laconia's exhaustive, comprehensive and ongoing review of all available data is that that the porphyry potential is very much closer than first thought. This has led to the Board and management taking a strategic decision to focus on the large scale copper-gold-silver potential of the Project.

CHAIRMAN'S REPORT (CON'T)

As Laconia has focussed solely on developing its Peruvian assets, it has taken steps to further rationalise its Western Australian exploration assets. Laconia successfully completed the divestment of its Lennons Find Project for a $500,000 cash consideration and retaining an equity stake in the purchaser; thus enabling Laconia to monetise value held in the Lennons Find Project. In addition to this important cash injection all possible avenues to reduce administrative and overhead costs have been taken.

The sheer size of the potential prize at Kimsa Orcco creates its own challenges for a junior explorer, particularly given the framework of a resource capital market which has been starved of exploration funding. We believe it is the role and function of junior exploration companies to seek and explore for large company making deposits and it is Laconia's view it has just such a deposit with the Kimsa Orcco Project. The outlook for copper demand is encouraging and a Project of the quality of Kimsa Orcco is extremely difficult to find.

Understandably shareholders are keen to see Laconia commence a high impact drilling program. The Board would like to reassure investors that this is an absolute priority for the Company. The Board would like to reiterate that given the exploration history and enormous data base Laconia holds on its Peruvian assets we are not looking for encouraging signs of mineralisation but to target actual resource development which if successful as anticipated can drive substantial shareholder value.

Matthew Howison
Non-Executive Chairman

DIRECTORS' REVIEW OF ACTIVITIES

Projects and Exploration Strategy

During the year, the Company continued to progress its copper-gold-silver Kimsa Orcco Project (formerly Rasuhuilca Project) in Peru. Several successful field exploration trips were completed and continued historic data compilation further highlighted the vast copper potential of the Project as a porphyry system[1]. Significantly during the year, agreement with two communities, one being Huacaña[2] and the other being Tintay[3], followed on from agreement with the Yanama community[4] achieved during 2013. Agreement with the three communities has provided Laconia social licence to work at the Kimsa Orcco Project, and progresses the Kimsa Orcco Project to an active exploration stage.

Achieving social licence at Kimsa Orcco has been a requisite for approval of a Declaration de Impacto Ambiental (DIA) (Environmental Impact Statement)[5]. The DIA is a category of environmental approval for exploration activities such as drilling, granted by the Peruvian Ministry of Energy and Mines (MINEM). The combined approvals process places the Kimsa Orcco Project on a solid path for further exploration with predictable social licence costs and commitments. Laconia's DIA for an initial 5 drill platforms is approved. The remaining requirement for the Ordene Initio (Permission to begin drilling) has also been granted.[6]

Ongoing evaluation of the excellent historic dataset defined areas prospective for epithermal copper-gold-silver mineralisation. An area of mineralisation was identified in the southern portion of the greater Kimsa Orcco Project that is 900 metres long by 600 metres wide, called the Favi Vent Zone. The zone has more than 850 metres strike length of quartz-sulphide veining plus breccia pipes prospective for copper-gold-silver mineralisation, with some high-grade occurrences of lead, zinc and tellurium[7]. There is potential for additional copper-gold-silver mineralised veins and breccia in the Favi Vent Zone between the known outcrop areas, covered by scree slope. Vein systems at the Favi Vent Zone are priority drill targets for work programs planned for 2015 following positive results from adit and surface sampling by Laconia during 2014[8].

The porphyry copper potential of the northern and southern portions of the project continues to be evaluated using the historic dataset. A virtual data room has been made available to major copper resource companies under confidentiality agreements that have shown interest in the project, and there were site visits taken by some of these parties through 2014. There was also field reconnaissance and surface outcrop sampling of some of the alteration zones in the northern portion of the greater Kimsa Orcco Project during 2014. Alteration characterisation using spectral analysis was completed on the samples, with results pending. Further geochemical and geophysical surveys, plus mapping are planned for 2015.

In Western Australia, rationalisation of Laconia's Projects continued with the relinquishing of the Mooletar

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[1] *Refer ASX Release 23 August 2013*

[2] *Refer ASX Release 17 October 2013*

[3] *Refer ASX Release 4 March 2014*

[4] *Refer ASX Release 1 July 2013*

[5] *Refer ASX Release 29 January 2014*

[6] *Refer ASX Release 24 April 2014*

[7] *Refer ASX Release 28 January 2014*

[8] *Refer ASX Releases 10 June 2014 and 18 June 2014*

Project tenure due to the downturn in the iron ore price and drop in demand for magnetite projects. The Goldsworthy Project east of Port Hedland was subject to a farm-in agreement with Independent Group NL during the year. Subsequent to the June Quarter 2014, Independence Group has elected to withdraw from this joint venture. The majority of tenement holdings at 701 Mile Project were relinquished with the exception of one tenement, over which an evaluation and work program has been completed.

Laconia divested the Lennons Find Project and has realised a monetary value for the project while retaining a 10% equity interest in the purchaser and thereby retaining exploration upside.

Project	Exploration	Data validation	Other
Kimsa Orcco Project	Central Favi Vent Zone identified as prospective for copper-gold-silver veining from continuing project evaluation Two field campaigns by a Consultant Geologist with porphyry copper experience for: • reconnaissance • surface channel and rock chip sampling • adit channel sampling	Extensive data validation, incorporated into Company database.	Successful completion of social licence agreements Receipt of Permission to Drill and DIA approval Data room construction and site visits by interested major copper focussed resource companies
Goldsworthy			Farm-in with Independence Group NL
701 Mile			Project evaluation and work program design

Table 1: Summary of activities.

KIMSA ORCCO PROJECT – COPPER AND PRECIOUS METALS, SOUTHERN PERU

(100% Laconia 2765 hectares; 80% Option Agreement on an additional 5622 hectares)

Highlights:

- Achieving social licence and receipt of Permission to Drill and DIA approval
- Creation of a virtual data room following unsolicited approaches from major copper resource focussed companies interested in the Copper Porphyry potential of the Kimsa Orcco Project
- Two successful exploration field trips to conduct geology reconnaissance and sampling, with verification of historic high-grade results at the Favi Vent Zone (Fortuna and Española 1 prospects)
- Recognition of significant amounts of high-grade copper-gold-silver veining, with elevated lead, zinc and tellurium, at the Favi Vent Zone at the Southern Kimsa Orcco prospects

About the Kimsa Orcco Project

The Kimsa Orcco Project (formerly Rasuhuilca Project) is located approximately 500km southeast of the Peruvian capital, Lima, in the southern part of the country (see Figure 1). Laconia completed the acquisition of the four Patacancha tenements in the Kimsa Orcco Project[9] in the southern Andes of Peru in June 2012. Upon acquisition, the Project was recognised as an advanced, high-grade gold and silver project with existing development levels and cross-cuts. The Project is located in the same region as Hochschild Mining PLC's (Hochschild) major silver and gold operations. Hochschild has reported reserves and resources exceeding 186 Moz silver and 1.1 Moz gold[10]. In March 2013, Laconia signed a formal option agreement ("the Option Agreement") to add 5,622 hectares, covering 11 Huaco Cucho exploration tenements adjacent to its four 100% owned Patacancha tenements. The combined 100% Laconia Patacancha tenements and the 80% Option Agreement Huaco Cucho tenements form the Kimsa Orcco Project. The Option Agreement is for seven years and involved minimal initial outlay[11]. Tenure at the project is shown in Figure 2.

The Project data set acquired from previous owners reflects decades of high-quality drilling and sampling which had never previously been systematically amalgamated into a single database. With the ability to assess large volumes of data in modern Geographical Information Systems (GIS) and 3D modelling software, the significance of the Kimsa Orcco ground position as a coherent, intact mineralising system has become apparent. Having identified significant copper occurrences, the Company now believes that the copper-gold-silver seen so far sits as an epithermal cap over a major copper porphyry system extending throughout the Project area[12]. Figure 3 outlines the extent of alteration footprints, and the location of the Kimsa Orcco Project, in the context of global copper deposits. The location and alteration footprint are representative of the excellent prospectivity of the project.

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[9] *Refer ASX Release 1 June 2012*

[10] *Refer Hochschild Mining PLC Annual Report 2011.*

[11] *Refer ASX Release 26 March 2013*

[12] *Refer ASX Release 9 April 2013.*

Figure 1: Kimsa Orcco Project location map.

Historic reports and the known geology within the Favi Vent Zone led the Company to recognise the area as a highly prospective high sulphidation system, analogous with El Indio copper-gold-silver system in Northern Chile. El Indio contained some 23.2 Mt at 6.6 g/t Au, 50 g/t Ag and 4% Cu including a bonanza gold zone of 200 kt at 209 g/t Au[13].

The Project currently has an Inferred Mineral Resource estimate of; **360,000t @ 1.97g/t gold and 179g/t silver** (at a 2.5g/t gold-equivalent cut-off)[14] at the Rasuhuilca deposit.

Note: All cut-offs based on an Xg/t Au Eq are conceptual in nature only. There has been insufficient metallurgical testwork to date to determine eventual metallurgical recoveries and it is uncertain that the conceptual cut-offs used will be appropriate following further metallurgical testwork. Gold equivalent (Au Eq) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent Gold grade. These results are taken from the Rasuhuilca deposit JORC Code Inferred Mineral Resource and no allowance is made for metallurgical recoveries. No definitive metallurgical test work

[13] *From Caddy, S.W., 1996, "Preliminary Structural Analysis, Mineral Alteration Zoning, Target Concepts, and Recommended Exploration Approach, Jarhaurazo District, Southern Peru"; unpublished Internal Consulting Report for Echo Bay Exploration Inc.*

[14] *Refer ASX Release 25 January 2012.*

has been conducted on the project at this stage of its development, however, it is the Company's opinion that the elements expressed here have a reasonable potential to be recovered as evidenced in similar deposit styles in Peru.

Gold Equivalent conversion factors and long term price assumptions used are as follows:
Gold Equivalent Formula = Au ppm + (25/1350) x Ag ppm
Price Assumptions: Au(US$1,350/oz), Ag(US$25/oz)

Table 2: Rasuhuilca deposit Inferred Mineral Resource, at a 2.5 g/t AuEQ cut-off, as at January 2012

Tonnes	Au g/t	Ag g/t
360,000	1.97	179

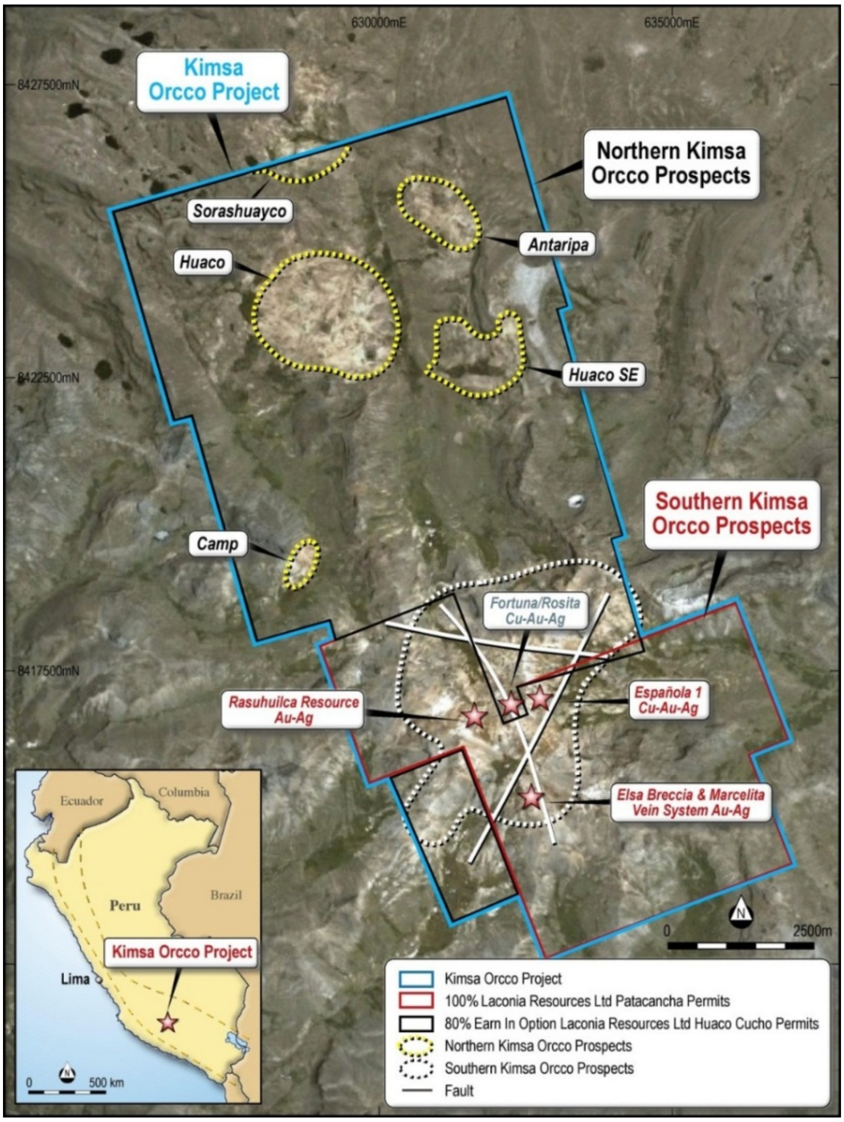

Figure 2: Kimsa Orcco Project Tenure and location of the Rasuhuilca deposit Inferred Mineral Resource.

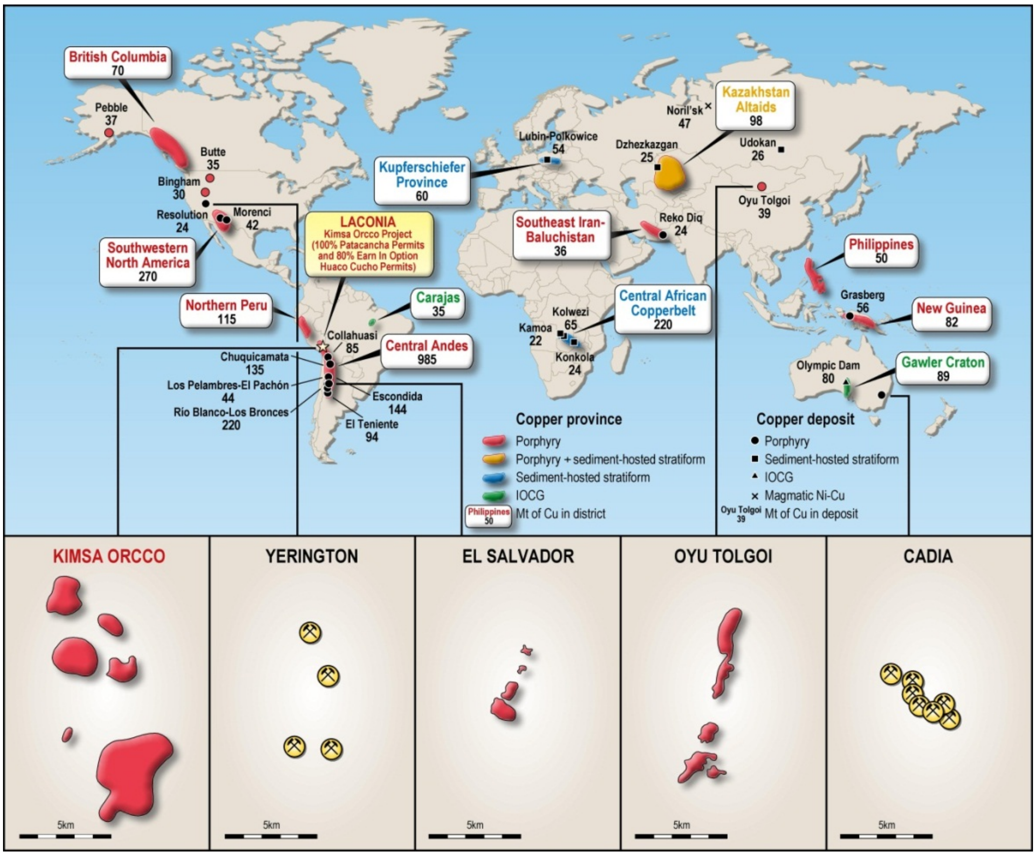

Figure 3: Map of the major copper deposits in the world, and illustration of the alteration footprints of select deposits, compare to Kimsa Orcco at the same scale (modified from "Geology and Genesis of Major Copper Deposits and Districts of the World: A Tribute to Richard H Sillitoe", p. 2)

Social Licence and Drill Approvals

Laconia was granted Permission to Drill (Ordene Initio) from the Peruvian regulator, the Ministry of Energy and Mines (MINEM) by Directorial Resolution Nº 0106-2014-MEM/DGM[15] in April 2014.

This follows Laconia's gaining of all necessary environmental approvals and social licence over its immediate area of impact of its Kimsa Orcco Project comprising its 100 per cent owned Patacancha tenements and the contiguous Huaco Cucho tenements, over which Laconia has an option to earn an 80 per cent indirect interest[16]. The Kimsa Orcco Project collectively covers over 8,387 hectares of highly prospective geology in the Peruvian Andes, as shown in Figure 2.

During the year, Laconia announced it had received its Declaración de Impacto Ambiental (DIA) (Environmental Impact Statement) from MINEM[17]. Laconia advised it has received a Resolution, No 003-2014-MEM-DGAAM approving its DIA from the Peruvian Ministry of Energy and Mines and the Department of Environmental Affairs.

The DIA includes social stakeholder mapping, baseline studies of flora and fauna, anthropological and hydrological studies. The drilling permitting process also requires community agreements. There are three communities in the locality of the Project, and all three communities have now reached agreement with Laconia.

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[15] *Refer ASX Release 24 April 2014*
[16] *Refer ASX Release 26 March 2013*
[17] *Refer ASX release 29 January 2014*

Data Evaluation

A significant component of Laconia's work has been continued compilation and interpretation of the large volume of quality data presented to the Company at Project acquisition. The majority of this data is in the form of discrete files, spreadsheets, plans, studies and includes:

- 40 diamond drill holes, > 3,000 channel samples, > 5 km underground development and adits;
- Mineralogy studies, resource estimations, assays and photographs;
- Plans – both CAD and PDF format, plus scans of originals stored in Lima;
- Geophysical data;
- Spreadsheets of metallurgy, assays, resource estimation and mine costing data;
- DXF and MapInfo files of topography, geological models, road data, development data and geology mapping; and
- Consultant reports (eg. Caddy, S.W., 1996, "Preliminary Structural Analysis, Mineral Alteration Zoning, Target Concepts, and Recommended Exploration Approach, Jarhaurazo District, Southern Peru"; unpublished Internal Consulting Report for Echo Bay Exploration Inc.).

Duplicate underground sampling[18] in 2012 confirmed the grade tenor of previous sampling in underground development at the Rasuhuilca deposit. Cross-checking of original laboratory reports, previous quality control procedures and reference back to original plans to check sample coordinates has provided confidence in the database compiled by Laconia. During 2014, repeat underground sampling at the Española 1 4805 level adit[19], plus surface sampling at Española 1 and Fortuna[20] prospects have further verified the excellent data set.

Copper-Gold-Silver Targets at Favi Vent Zone

During the year, the Project was recognised to have significant copper-gold-silver veining within an interpreted volcanic vent called the Favi Vent Zone, with greater than 850 metres strike-length of mineralised veining identified inside the 900 metre by 600 metre area. During the year, through continued data evaluation, the Fortuna Prospect was expanded about 200 metres north to include the Rosita vein. The Española 1 vein trend was extended about 400 metres north, through the Indigena, Española 2 veins, to terminate at the east-west trending Favi Vein. Española 1 was then expanded west with the recognition of the parallel Barita vein. Figure 4 shows the Favi Vent Zone and the prospects inside this region. The areas between the outcrops shown in Figure 4 are extensively developed scree slope that may conceal additional mineralised veins.

Copper, gold and silver occur together in veining below a level of about 4750 – 4800 metres, with anomalous tellurium, lead and/or zinc coincident with copper. The veins are comprised of matrix-supported breccia, with angular silicified clasts with stylolites or disseminated pyrite and locally massive barite. Interstitial material is massive enargite-covellite-marcasite-pyrite +/- sphalerite, galena. Pyrite often forms a selvedge to silicified clasts.

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[18] Refer ASX Release 4 July 2012

[19] Refer ASX Release 10 June 2014

[20] Refer ASX Release 18 June 2014

Outstanding 2014 results from copper-gold-silver veining throughout the Favi Vent Zone are:

Laconia Fortuna Prospect surface channel sampling[21]

- 1.0 m at 8.19 % Cu, 4.43 g/t Au, 338 g/t Ag and 233.7 g/t Te in sample LC29094E
- 1.0 m at 3.63 % Cu, 0.98 g/t Au, 257 g/t Ag and 169.6 g/t Te in sample LC29099A

Laconia Española 1 Prospect surface channel sampling[22]

- 0.87 m at 8.13 % Cu, 4.96 g/t Au, 142 g/t Ag and 60.5 g/t Te in sample LC29270B
- 0.83 m at 7.07 % Cu, 7.12 g/t Au, 80 g/t Ag and 96 g/t Te in sample LC29244
- 0.85 m at 2.38 % Cu, 2.43 g/t Au, 63 g/t Ag and 36.4 g/t Te in sample LC29268A
- 0.52 m at 1.89 % Cu, 7.02 g/t Au, 94 g/t Ag and 104.7 g/t Te in sample LC29271B

Laconia Española 1 Prospect, adit channel sampling:[23]

- 1.0 m at 9.6 % Cu, 4.3 g/t Au, 112 g/t Ag and 76.9 g/t Te in sample LC42002_D
- 1.96 m at 6.75 % Cu, 3.38 g/t Au, 95 g/t Ag and 64.3 g/t Te in sample LC42004
- 0.8 m at 6.44 % Cu, 12.99 g/t Au, 222 g/t Ag and 112.2 g/t Te in sample LC42010A

Highlights from historic results from copper-gold-silver veins in the Favi Vent Zone are:

Historic Fortuna and Rosita Prospect, diamond drill holes, adit and surface channel sampling[24]*:*

- 5.15 m at 0.36 % Cu, 0.18 g/t Au and 0.64 g/t Ag from 62.6 m in diamond drillhole SDB 04 2002 at Rosita
- 8 m at 1.12 % Cu, 0.26 g/t Au and 12.76 g/t Ag from 73 m; including 0.75 m at 8.9 % Cu, 1.57 g/t Au and 104.15 g/t Ag from 80.25 m in diamond drillhole SDB 06 2002 at Rosita
- 0.7 m at 15 % Cu, 3.68 g/t Au, 500.14 g/t Ag and 414 g/t Te in sample 29530 at Fortuna 4760 level adit
- 0.8 m at 13.1 % Cu, 1.96 g/t Au, 423.01 g/t Ag, 0.11 % Pb and 268 g/t Te in sample 29532 at Fortuna 4760 level adit
- 0.7 m at 3.4 % Cu, 2.0 g/t Au, 500.14 g/t Ag, 0.33 % Pb, 0.68 % Zn and 86 g/t Te in sample 29550 at Fortuna 4760 level adit
- 0.8m at 4.8 % Cu, 3.89 g/t Au and 251 g/t Ag in surface channel sample 29095 at Fortuna
- 1.4m at 1.8 % Cu. 0.67 g/t Au and 51.3 g/t Ag in surface channel sample 29119 at Fortuna

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[21] *Refer ASX Release 18 June 2014*

[22] *Refer ASX Release 18 June 2014*

[23] *Refer ASX Release 10 June 2014*

[24] *Refer ASX Release 9 April 2013, 17 December 2013 and 28 January 2014*

- 0.3 m at 4.5 % Cu, 1.11 g/t Au, 288 g/t Ag, 0.11 % Zn and 92 g/t Te in sample 29979 from the Rosita 4730 level adit
- 0.3 m at 5.63 % Cu, 2.36 g/t Au and 132 g/t Ag in surface channel sample 67259 at Rosita

Historic Indigena, Española 2 and Favi Prospect, surface channel sampling:[25]

- 1.6 m at 8.8 % Cu, 0.66 g/t Au, and 95.5 g/t Ag in sample 29320 at Favi
- 0.55 m at 5.9 % Cu, 6.07 g/t Au, 179.3 g/t Ag and 0.19 % Pb in sample 29322 at Favi
- 0.35 m at 12.9 % Cu, 2.27 g/t Au, and 273 g/t Ag in sample 29301 at Española 2
- 0.55 m at 7.5 % Cu, 11.84 g/t Au and 241.94 g/t Ag in sample 29270 at Indigena
- 0.4 m at 1.9 % Cu, 1.59 g/t Au, 96.6 g/t Ag and 0.48 % Pb in sample 29328 at Indigena

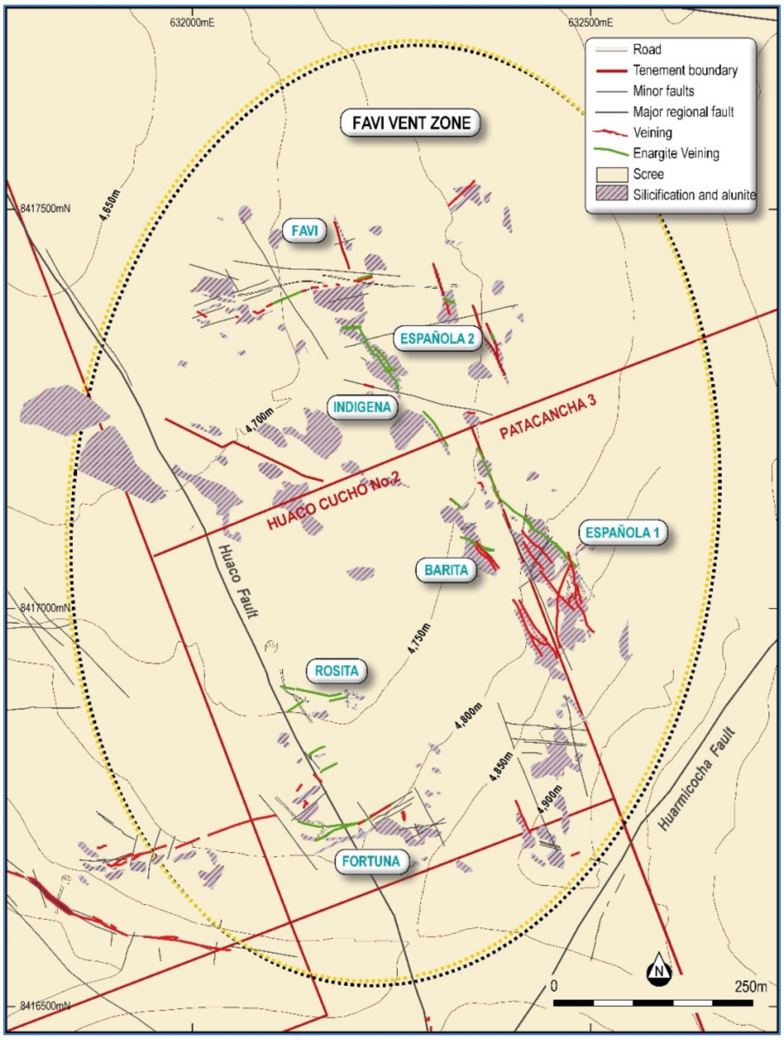

Figure 4: Plan showing Favi Vent Zone and all the prospects with copper-gold-silver mineralisation. The extent of surface outcrop is shown, with all area between covered by scree. Grid is PSAD56 Zone 18S.

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[25] *Refer ASX Release 11 March 2014*

Geology of the Favi Vent Zone

The location of all prospects identified as containing epithermal high-grade copper-gold-silver veining is shown in Figure 5, with reference to the location of the Rasuhuilca deposit trend and other known gold silver prospects. The architecture of the copper zone is dominated by three regional faults, the Huaco Fault, the Huarmicocha Fault and the San Valentin Fault. These faults appear to be a major controlling structure on the location of high-grade copper at the Project, and the area is interpreted to be one of at least two volcanic centres at the Southern Kimsa Orcco prospects.

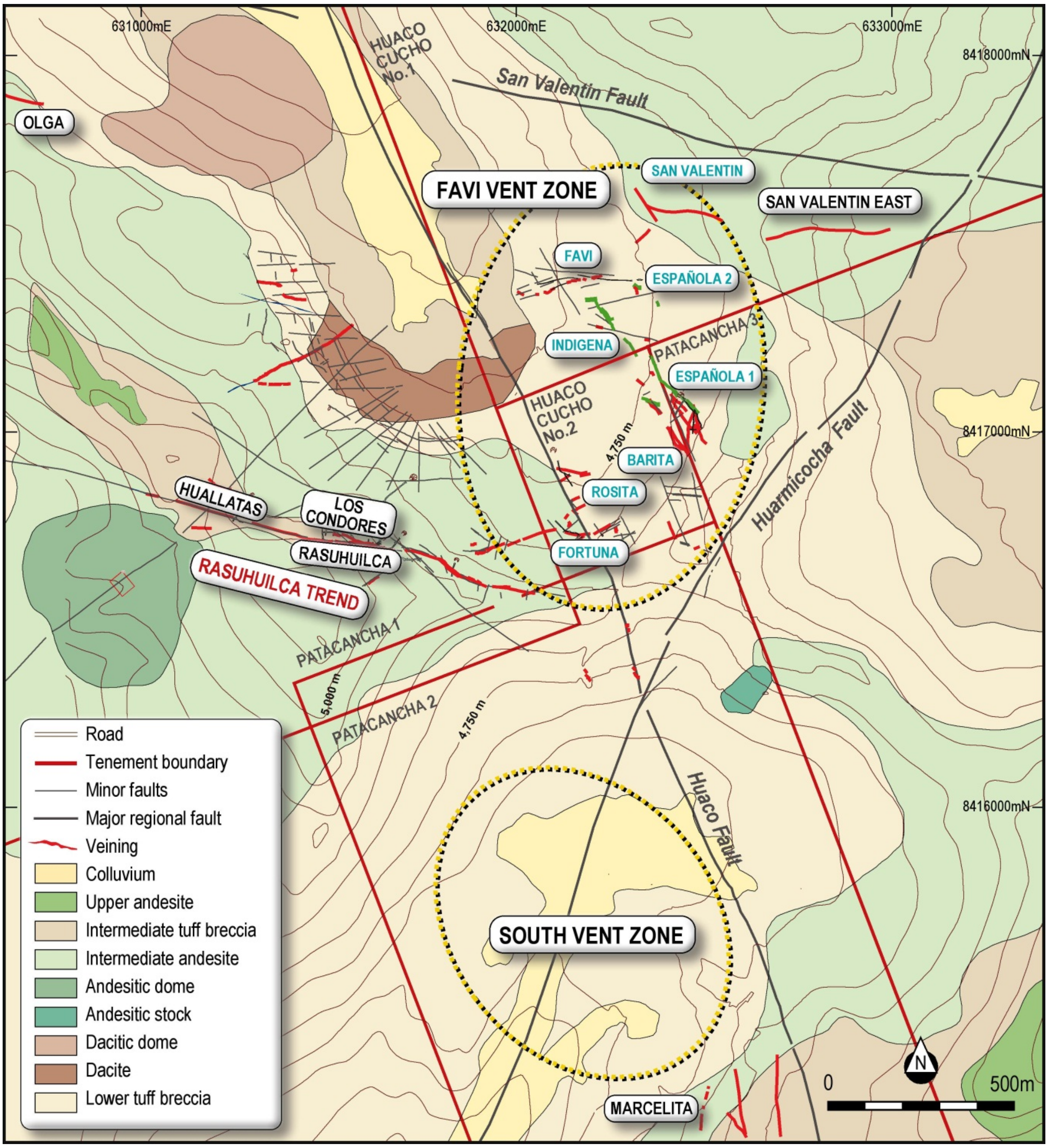

Figure 5: Plan showing Favi Vent Zone with the Geology of the southern portion of the Kimsa Orcco Project. The Favi Vent Zone is bounded by three regional faults – the San Valentin Fault, the Huarmicocha Fault, and the Huaco Fault. Copper-gold-silver prospects have green-blue labels. Gold-silver prospects have black labels.

Within the Favi Vent Zone there are two dominant vein orientations. One set of veins, including the Española 1, Barita, Indigena and Española 2 veins, strike about northwest – north and dip steeply to the west. The second set of veins, including the Fortuna, Rosita and Favi veins, strike about northeast – east and dip steeply to the north. Grades and widths of mineralisation increase around vein-vein and vein-fault intersections.

Española 1 Prospect

Española 1 prospect is about 900 metres east of the Rasuhuilca deposit, as shown in Figure 5. The copper is hosted in the minerals enargite and covellite, in breccia in a historic adit sampling intersection of **24.9 metres at 3.88 % Cu, 2.98 g/t Au and 66.63 g/t Ag, including 15.5 m at 6.54 % Cu, 4.77 g/t Au and 103.86 g/t Ag**[26]. During 2014, Laconia verified this intersection, with 25 samples collected over 14 of the original 16 Buenaventura channel sample locations. The new intersection returned from sampling by Laconia is **21.5 m at 2.55 % Cu, 2.26 g/t Au and 50.97 g/t Ag, including 12.3 m at 3.72 % Cu, 3.22 g/t Au and 69.74 g/t Ag**[27]. The slightly smaller length reported for this intersection is due to the first sample of the adit not being repeated, due to removal of the zone at this point by minor caving of the breccia at the adit entrance. Figure 6 shows the repeat sampling by Laconia, compared to the historic results, at the Española 1 prospect 4805 level adit, in April 2014.

During April 2014, surface samples were also collected at the prospect, demonstrating repeatability of the historic results. The sample locations and best results are shown in Figure 7.

The Española 1 prospect lies over both the 100% Laconia Patacancha 3 tenement has now been extended into the Huaco Cucho No 2 tenement for a total width of 130 metres, since the parallel Barita Vein was identified.[28] The Española 1 prospect is a priority drill target for Laconia, as vein density at the prospect may be amenable to shallow open pit mining of high-grade copper-gold-silver mineralisation.

[26] *Refer ASX release 27 February 2013*
[27] *Refer ASX release 10 June 2014*
[28] *Refer ASX release 10 July 2014*

DIRECTORS' REVIEW OF OPERATIONS (CON'T)

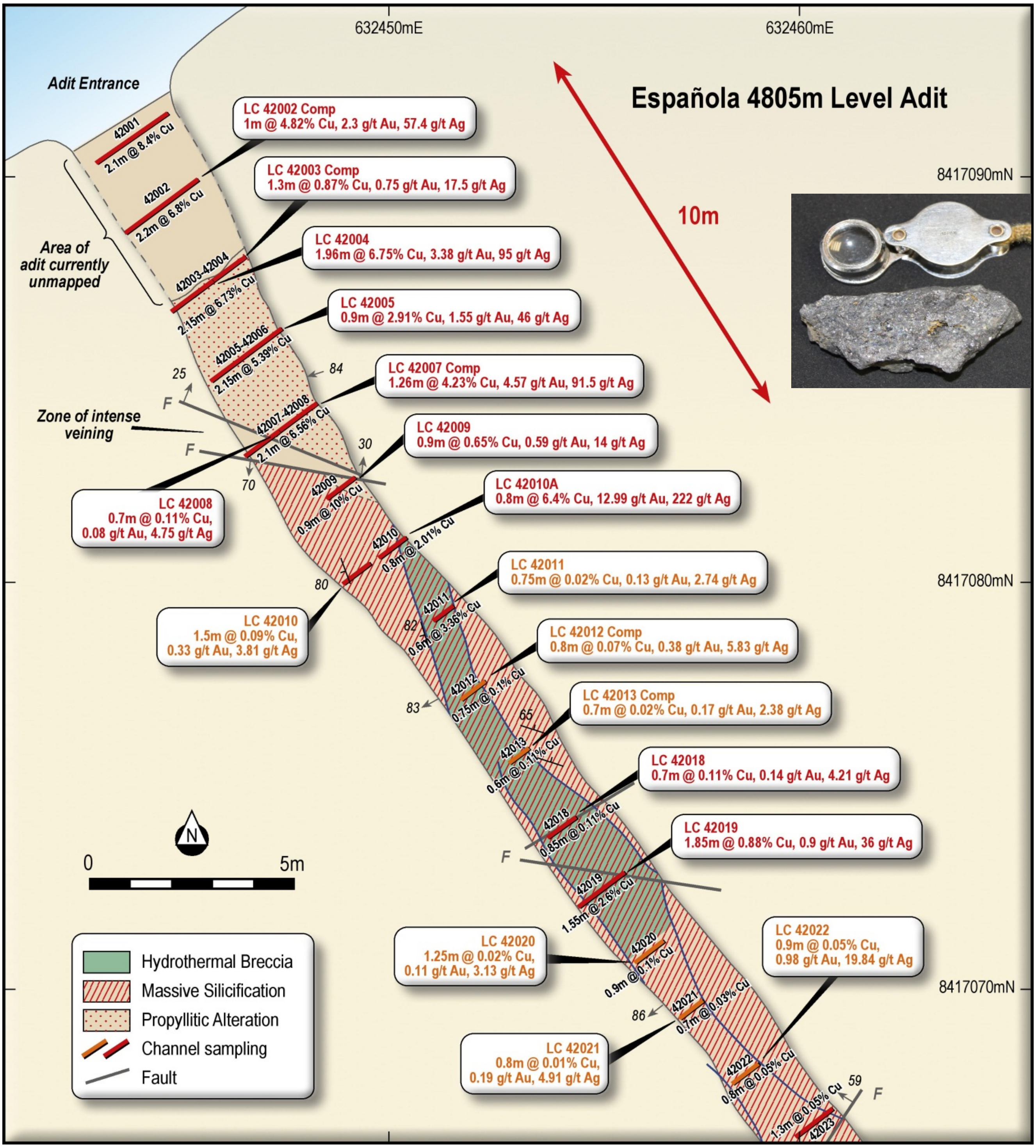

Figure 6: Laconia sampling at the 4805 level adit at the Española 1 Prospect during April 2014. Results from the original sampling by Buenaventura Ingenieros SAC are shown along the sample trace. Inset photo shows the massive enargite-covellite copper mineralisation (hand lens is 100 mm long).

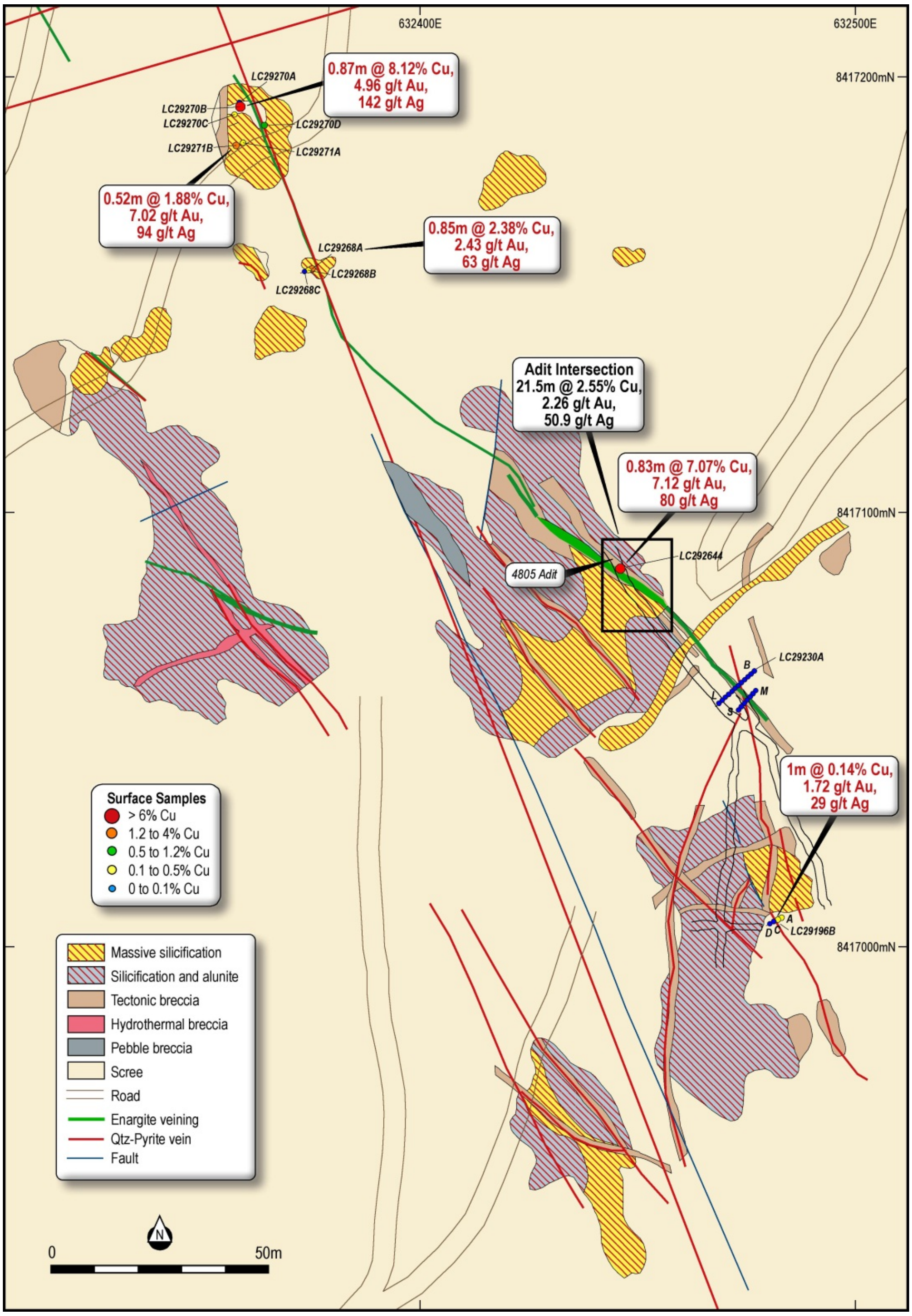

Figure 7: Laconia sampling of surface outcrop at Española 1 prospect during April 2014

Fortuna Prospect

The Fortuna prospect lies about 600m to the east of the Rasuhuilca deposit in the Huaco Cucho No. 2 tenement. Mineralisation is hosted by a set of two parallel veins that trend east-west for at least 90m and dip steeply to the north, also intersecting the large regional Huaco Fault at the west end of the prospect. The veining is dominantly silicification with alunite alteration, and sulphides that include pyrite, marcasite, enargite, sphalerite and galena in order of decreasing abundance (Figure 8).

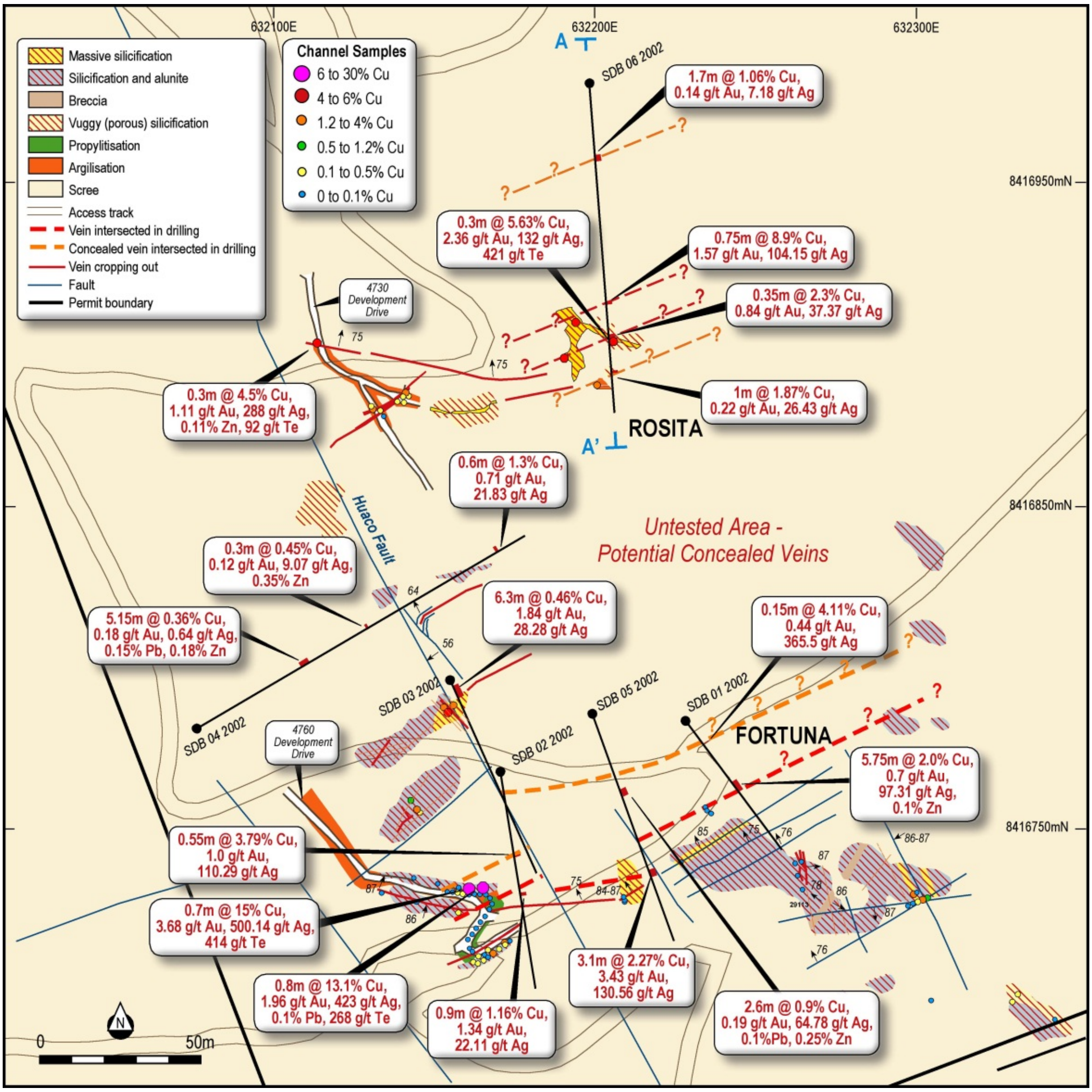

Figure 8: Plan View of the Fortuna and Rosita Prospects, showing historic surface sample locations (coloured by copper content) and the Buenventura drill hole locations. A possible eastern extension to the drill hole intersections is shown as dashed lines with question marks. The drill holes are annotated with the significant down hole intersections (true widths not known). Grid used is PSAD56, Zone 18 South.

In addition to high-grade copper, gold and silver values that are typical of the greater Kimsa Orcco Project, Fortuna prospect also contains some elevated zinc and lead. Copper is hosted in the mineral enargite, that was mined economically at the El Indio deposit in Chile. Zinc is hosted in the mineral sphalerite and the host for lead is galena. The polymetallic nature of mineralisation at Fortuna Prospect is indicative of metal transport under the highly mobile conditions generated in a porphyry environment[29].

Sampling by Laconia at the Fortuna prospect in April 2014 demonstrated the validity of the historic

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[29] *Refer ASX release 9 April 2013*

Buenaventura Ingenieros dataset, with samples returning high-grade copper-gold-silver results from three outcrops at the prospect[30]. Figure 9 shows sampling done by Laconia compared to the historic results by Buenaventura.

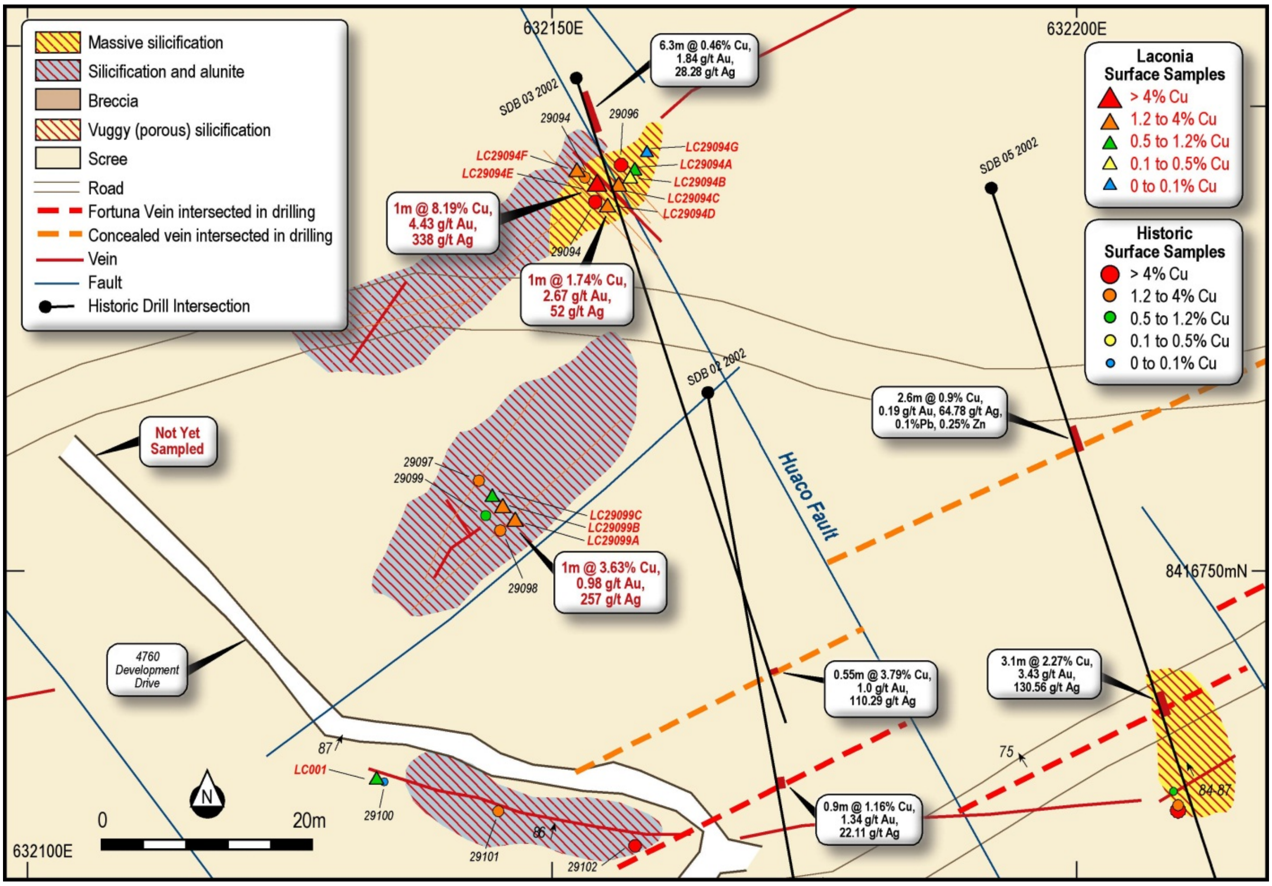

Figure 9: Laconia sampling at Fortuna Prospect, with historic Buenaventura results also shown.

Data evaluation during 2014 identified a northern extension of the Fortuna prospect, with parallel veins at Rosita[31]. The area between the Fortuna veins and the Rosita veins is covered by scree slope. The diamond drilling that was done by Buenventura in 2002 (6 drillholes at Fortuna and Rosita) intersected veins that don't crop out at surface, suggesting there may be many more parallel mineralised veins beneath the scree slopes.

The data from the drilling is well-documented and includes geology, sampling and QAQC data. Figure 10 shows a cross section of diamond drill hole SDB 06 2002, drilled at Rosita in 2002 by Buenaventura Ingenieros SAC. The presence of concealed veins is demonstrated by the shallowest mineralisation intersection in Figure 10 below.

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[30] *Refer ASX Release 18 June 2014*

[31] *Refer ASX Release 28 January 2014*

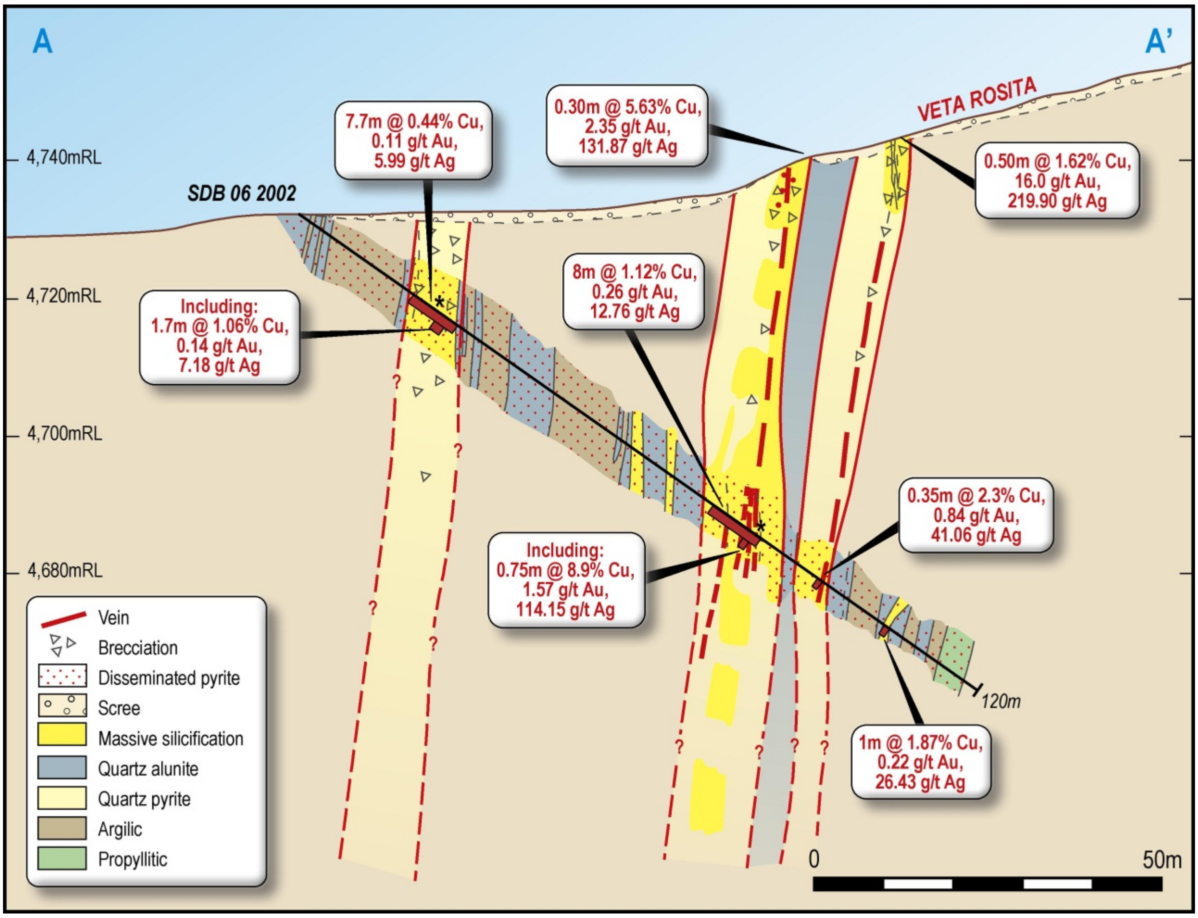

Figure 10: Cross Section of drill hole SDB 06 2002, drilled at Rosita Prospect by Buenaventura Ingenieros SAC in 2002. The location of the cross section is marked with A and A' in Figure 8. The drill hole has intersected mineralised veins that were covered by scree at surface.

Favi Prospect

Company database additions during 2013 – 2014 have incorporated results from the Huaco Cucho No 1 tenement, and this has revealed a significant northern extension of the veining hosting copper at the Española 1 prospect, through the Indigena vein, the Española 2 vein and the Favi vein. The location of these prospects is shown in Figures 4 and 5.

The Indigena vein and Española 2 veins are of a similar orientation to the Española 1 vein. The Favi vein to the north of the Indigena and Española 2 veins is of a similar orientation to the Fortuna and Rosita vein sets. Both Indigena and Española 2 veins strike about northwest – north, and dip steeply to the west, as does Española 1 vein. The exposure of these veins extends for 215 metres north and 100 metres north, respectively. The Favi vein is roughly east-west in strike, and dips to the north overall, at about 75 – 85 degrees, in a very similar aspect to the Fortuna and Rosita veins (that are 500 – 650 metres to the south). The Favi vein exposure can be traced over 320 metres. These veins and the channel sampling conducted at surface by Buenaventura Ingenieros SAC geologists, are shown in Figure 11. Surface samples are coloured by copper content, and the northern extension of the Española 1 trend is shown on the plan as green enargite veining.

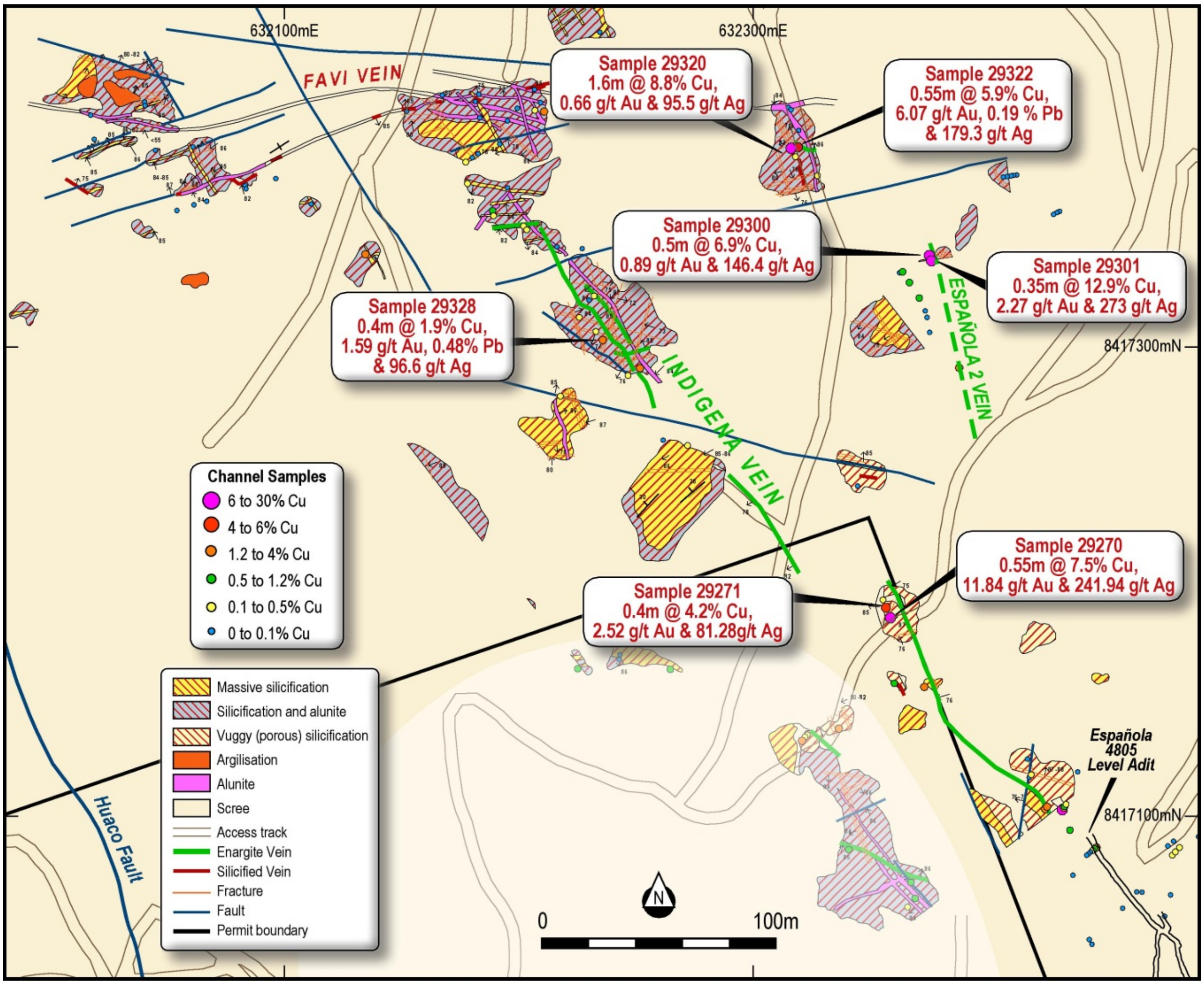

Figure 11: Plan view of the Indigena, Española 2 and Favi Veins. Surface samples collected by Buenaventura are shown coloured by copper content.

Work Programs

During the first half of calendar 2014, Laconia has planned and costed work programs to test the extent of oxide material in the epithermal copper-gold-silver veins in the Favi Vent Zone, using shallow diamond drilling. Stage one drilling is planned to test the sub-surface mineralisation at Favi, Indigena and Española 2 veins. Leading on from this stage 2 is designed to test the mineralisation at Española 1. The aim of these drill programs is to spend about 2,000 metres of shallow drilling over approximately 20 drill holes to test the mineralisation in the oxide zone. Figure 12 shows the exploration model for epithermal and porphyry copper mineralisation, in the context of the greater Kimsa Orcco Project.

Also planned are geochemistry programs, using soil sampling to detect trace element anomalies over the Favi Vent Zone, and over the northern alteration zones. The aim of this work is to define the centre of alteration zones, to find deeper porphyry copper targets to assist planning of deep drill holes targeted at a large porphyry copper system. Additionally, geophysical methods for aeromagnetic and IP surveys are currently being evaluated and costed.

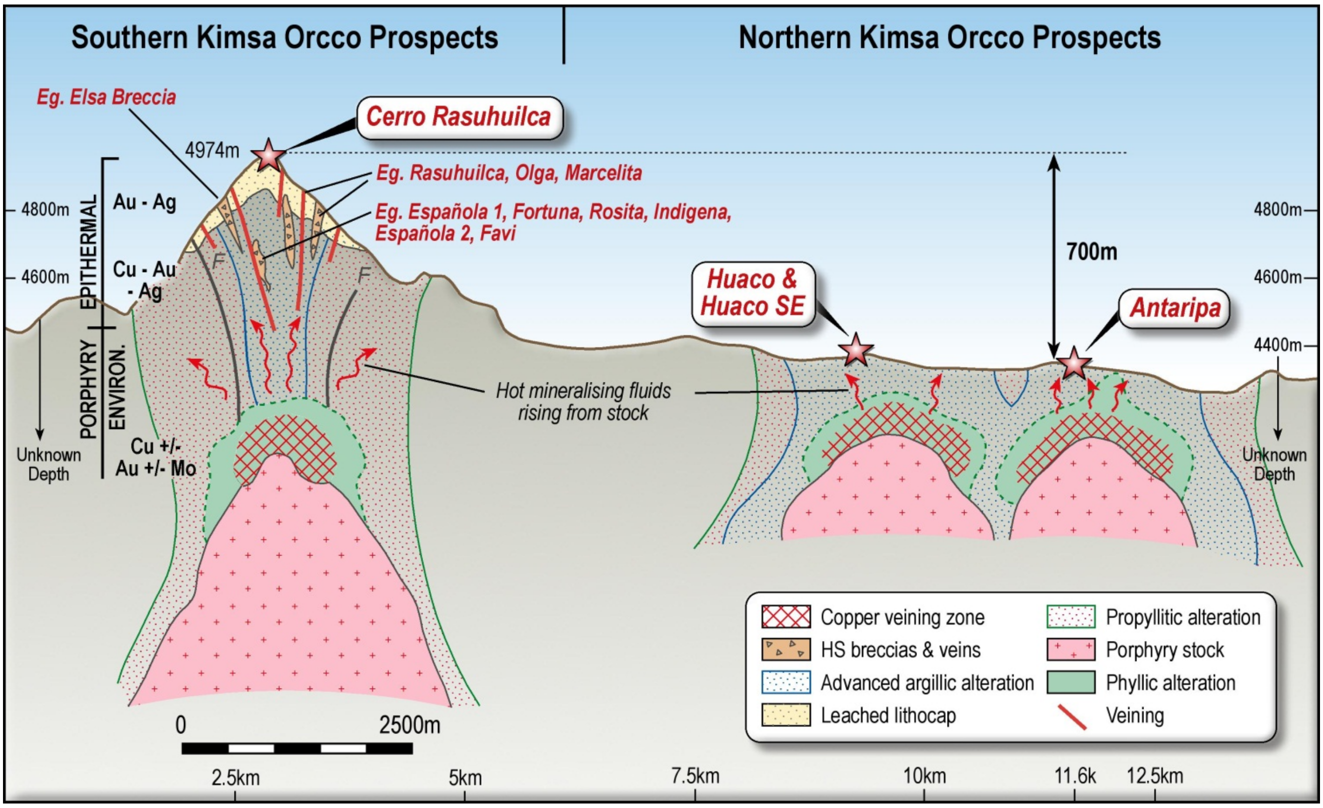

Figure 12: Exploration model for epithermal and porphyry copper mineralisation at the Kimsa Orcco Project. The model is an idealized section of the project area, looking west. The image contains vertical exaggeration.

Exploration Target Update to JORC 2012

During the year, Exploration Targets developed in February 2013 using available geology, structural information, sampling and topography, were updated to JORC 2012[32]. The potential quantity and grade of the Exploration Targets are conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource, and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Exploration Targets are summarised as follows, and shown in Figure 13 and detailed in Table 3 and Table 4.

- **Target 1 - Condor Zone (60,000 - 167,000t at 1.1 - 1.45 g/t Au, 184.5 - 244.8 g/t Ag)**. Condor is a zone of high-grade silver with sub-ordinate gold at the western end of the current Rasuhuilca deposit Inferred Mineral Resource.
- **Target 2 - Hyallatas Prospect (94,000 - 200,000t at 2.3 - 2.4 g/t Au, 37.7 - 78.2 g/t Ag).** Hyallatas is series of gold-silver mineralised lodes in silicification alteration assemblages on the western extension of the vein system that hosts the Rasuhuilca deposit Mineral Resource.
- **Target Area 3 - Olga Prospect (42,500 - 50,000t at 2.4 - 2.55 g/t Au, 81.1 - 90.5 g/t Ag).** Olga Prospect is a vein, 1.5 km to the northwest of the Rasuhuilca deposit Mineral Resource that has surface sampling and underground development and sampling.

[32] *Refer ASX release 20 March 2014*

- **Target 4 - Española 1 Prospect (54,000 - 154,000t at 3.75 - 3.9 g/t Au, 57.7 - 79.2 g/t Ag).** Española 1 Prospect has surface sampling and sampling of underground development. It consists of two intersecting vein sets that host gold and silver mineralisation.
- **Target 5 - Marcelita Prospect (114,500 - 220,000t at 2.48 - 4.4 g/t Au, 71.9 - 127 g/t Ag).** Marcelita Prospect is located 4.5 km to the South East of the Rasuhuilca deposit vein system. It consists of three parallel north-south trending veins, and one breccia pipe, that is the Elsa Breccia.

Exploration Target tonnages have been developed using a range of techniques including;

1. Polygonal volume estimations, using length, average width and nominal 40 metre depth continuity.
2. Wire-framing methods using 3-dimensional mine planning software with closed wireframes clipped to the detailed topographic surface.
3. Implicit modelling software (Surpac's dynamic shells) with specific vein anisotropy and tightly constrained search ellipses on available data with 20 metre search (Condor, Huallatas) or 40 metre search (Española 1). Shell models were set at target cut-off grades using gold, silver and gold equivalent settings.
4. Polygonal volume estimation on strike length of veining with samples greater than 1 g/t Au or 60 g/t Ag and nominal 40 metres depth continuity.

Exploration Target grades have been developed using a weighted average of sample length to grade within;

1. Entire prospect
2. Closed wireframe
3. Closed Dynamic Shell
4. Defined polygon (mapping and sampling)
5. Defined polygon where samples are greater than 1 g/t Au or 60 g/t Ag.

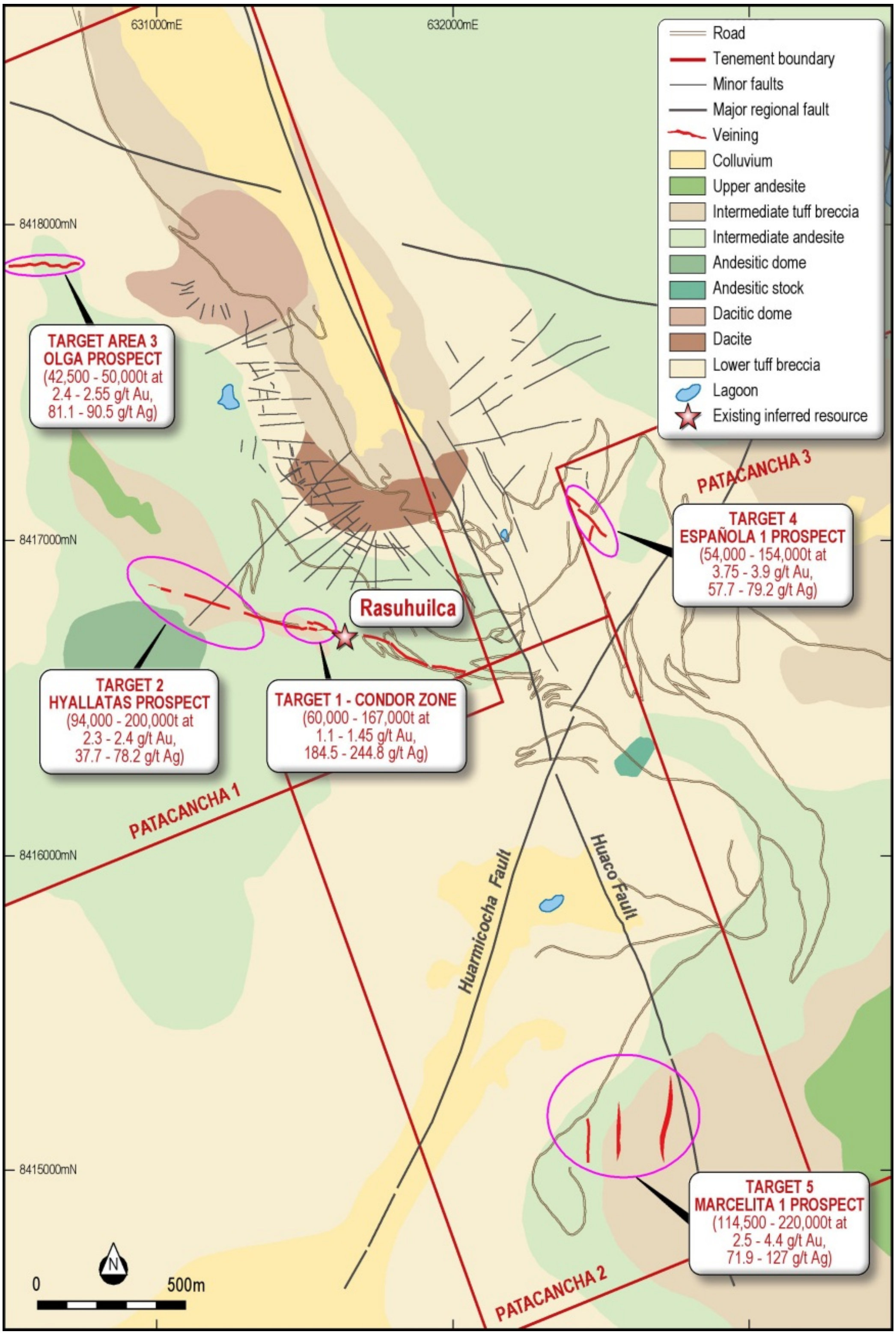

Figure 13: Plan view of the 100% Laconia tenements with Exploration Targets identified in February 2013, and updated to JORC 2012 in March 2014. The potential quantity and grade of the Exploration Targets are conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource, and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Table 3: Exploration Target details at Kimsa Orcco Project

Prospect	Gold grade (g/t)		Silver grade (g/t)		Silver : gold ratio	Exploration Target tonnage	
	Minimum	Maximum	Minimum	Maximum		Minimum	Maximum
Condor	1.11	1.45	184.5	244.8	169:1	59,900	167,400
Huallatas	2.34	2.40	37.7	78.18	28:1	94,700	200,200
Olga	2.40	2.55	81.1	90.5	77:1	42,600	49,900
Española 1	3.76	3.88	57.7	79.2	24:1	53,950	154,200
Marcelita	2.48	4.37	71.9	127	27:1	114,700	220,700
Totals	2.40	3.10	84.9	122.4		365,850	792,400

Table 4: Sampling details used in Exploration Target assessments.

Prospect	Strike length (metres)	Average width of mineralisation (metres)	Specific gravity	Strike length sampled (metres)	Total number of samples	Number of samples within Exploration Target	Percentage of strike length sampled
Condor	100	20	2.6	80	266	99	80%
Huallatas	380	11	2.6	100	257	122	26%
Olga	240	2	2.6	140	75	75	58%
Española 1	255	4	2.6	205	165	76	80%
Marcelita	975	2	2.6	675	123	123	69%

The basis for the Exploration Targets are:

- Existing high quality exploration data generated by Cominco el Peru SA during 1984 – 1987, Buenaventura Ingenieros SAC during 1998 – 2002 or Gold Mines Peru during 2006 – 2008.
- Data includes surface mapping, surface sampling, exploration adit development and mapping, and exploration adit sampling. The number of samples used to inform each target is shown in Table 4 below.
- Cut channel samples. At surface and underground, they are cut perpendicular to the geological structures (veins, faults), and represent close to true widths. Breccias and alteration zones were sampled across the width. Surface samples are between 5 metres and 30 metres apart. Adit samples are between 2 metres and 5 metres apart. Sample lengths range from 0.3 – 3.5 metres.

- There are 886 historic surface and adit samples across the 5 prospects, of which 495 were within the areas of calculated Exploration Targets.

Exploration activities planned to test the exploration targets include:

- Up to 10% repeat channel sampling of some historic surface and channel samples to validate the historic dataset (commenced in April 2014; further work planned for 2014 – 2014 year).
- Diamond drill testing with the initial drilling to be done at 100 metre line spacings across gold-silver prospects. Preliminary drill results are expected at the gold-silver exploration targets by the end of the 2015 calendar year.

Option Agreement

In March 2013, the Company signed a formal option agreement ("the Option Agreement") to add 5,622 hectares, covering 11 exploration tenements adjacent to its 100% Laconia owned Kimsa Orcco Project located in the Andean volcanic arc of southern Peru. Similar to the high-grade 100% Laconia-owned tenements, the new tenements were and remain considered highly prospective for epithermal and porphyry style copper-gold-silver. The Option Agreement is for seven years and involved minimal initial outlay.

The main terms of the Option Agreement are summarised as follows:

- Seven year Option Agreement to acquire an 80% ownership interest in 11 Licences;
- Up front consideration of US$150,000 comprising US$110,000 paid to date leaving a balance of US$40,000 due by 31 May 2013.[33]
- Four annual option payments to the Vendors for a minimum of US$250,000 and maximum of US$300,000 calculated by an agreed mechanism linked to the degree of the positive percentage increase in the price of gold. (The first annual payment was due in March 2014 and was paid);
- Final option payment of a minimum of US$5M and maximum of US$6M to acquire 80% ownership interest, calculated by an agreed mechanism linked to the degree of the positive percentage increase in the price of gold;
- Post-acquisition, the Vendors to retain 2.25% net smelter royalty;
- Obligation for Laconia to spend US$1.3M per annum of exploration over the 11 Licences. The first expenditure commitment is due by mid-2015; and
- Laconia to manage and operate the exploration program.

WESTERN AUSTRALIAN PROJECTS

The locations of projects held in Western Australia are shown in Figure 14. During 2014, rationalisation of the projects was undertaken, and the holding of the Company reduced from four projects to two. The Goldsworthy

[33] *Payments also attract General Sales tax of 18%.*

Project in the North Pilbara, and the 701 Mile Project in the Murchison were retained, while the Mooletar Project in the Mid-West was relinquished due to the global down turn in iron ore price, while the value of the Lennons Find Project was realised through divestment of the project to a separate entity.

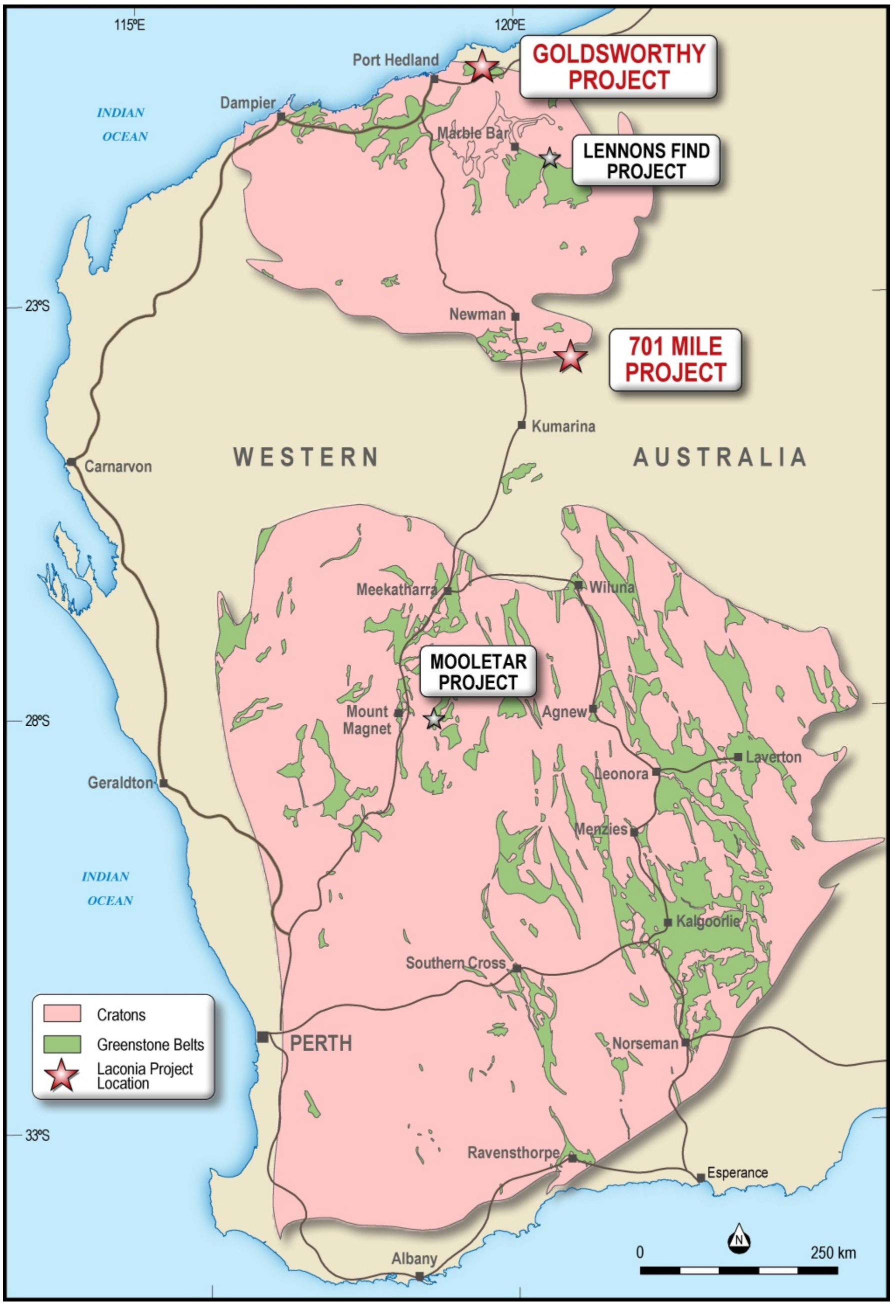

Figure 14: Laconia's Western Australian projects location map. Goldsworthy and 701 Mile Projects remain. Mooletar has been relinquished, and Lennons Find divested

LENNONS FIND PROJECT – PRECIOUS AND BASE METALS, EAST PILBARA, WA

LACONIA: M45/368 (95%), E45/3293 (100%)

Highlights:

- In June 2013, an option was granted to divest the Lennons Find Project.[34]
- Divestment of the Lennons Find Project, including the Yandicoogina tenement, was completed on 2 January 2014.
- In June 2013 Laconia entered into a Binding Terms Sheet with Musketeer Minerals Pty Ltd (ASX:MKM) to record the principal terms agreed between the parties for MKM's acquisition of Laconia's interest in the Lennons Find mining and exploration assets owned by Laconia, with the intention of MKM vending the assets into a shell company[35] and Laconia retaining an equity interest as well as the cash payment received.

Details of the Divestment

The principal terms of the divestment were as follows:

1. Upon signing of Binding Terms Sheet Laconia received a non-refundable deposit of $100,000 cash for a six month exclusive option to acquire the Lennons Find Project.
2. Within 7 days of MKM or a shell company listing on the ASX or MKM or the Shell Company completing a capital raising of $2 million (by way of equity, debt or combination):

- Laconia to be issued a 10% equity stake (fully paid ordinary shares) in either MKM or the Shell Company (at Laconia's election).
- Laconia to receive an additional $400,000 from MKM, which it subsequently has received; and
- Laconia may nominate a Board member to be appointed as a Non-Executive Director on MKM's Board or on the Board of the Shell Company (at Laconia's election).

The transaction has been completed excluding finalisation of the 10% equity stake. The terms of this transaction have allowed Laconia to monetise value held in the Lennons Find Project while allowing Laconia shareholders to retain exposure to, and gain a direct benefit from the exploration in the region.

[34] *Refer ASX Release 20 June 2013.*

[35] *Refer ASX Release 20 June 2013.*

701 MILE PROJECT – PRECIOUS AND BASE METALS, NORTHERN GASCOYNE, WA

LACONIA: E52/2688 (80% mineral rights excluding manganese and iron; 70% manganese and iron rights)

About the 701 Mile Project

The 701 Mile Project comprises one granted exploration licence covering a contiguous area of 44 square kilometres (14 blocks) 80km southeast of Newman in WA (Figure 15), within the north eastern portion of the Collier Basin (a division of the former Bangemall Basin). The Project is proximal to the regional scale Tangadee Lineament and is hosted within sedimentary rocks and mafic intrusives of the Collier Basin. Large areas of the tenement are overlain by shallow cover including alluvial wash, calcrete and sand and auger drilling was utilised in these areas to penetrate this cover to obtain meaningful geochemical samples.

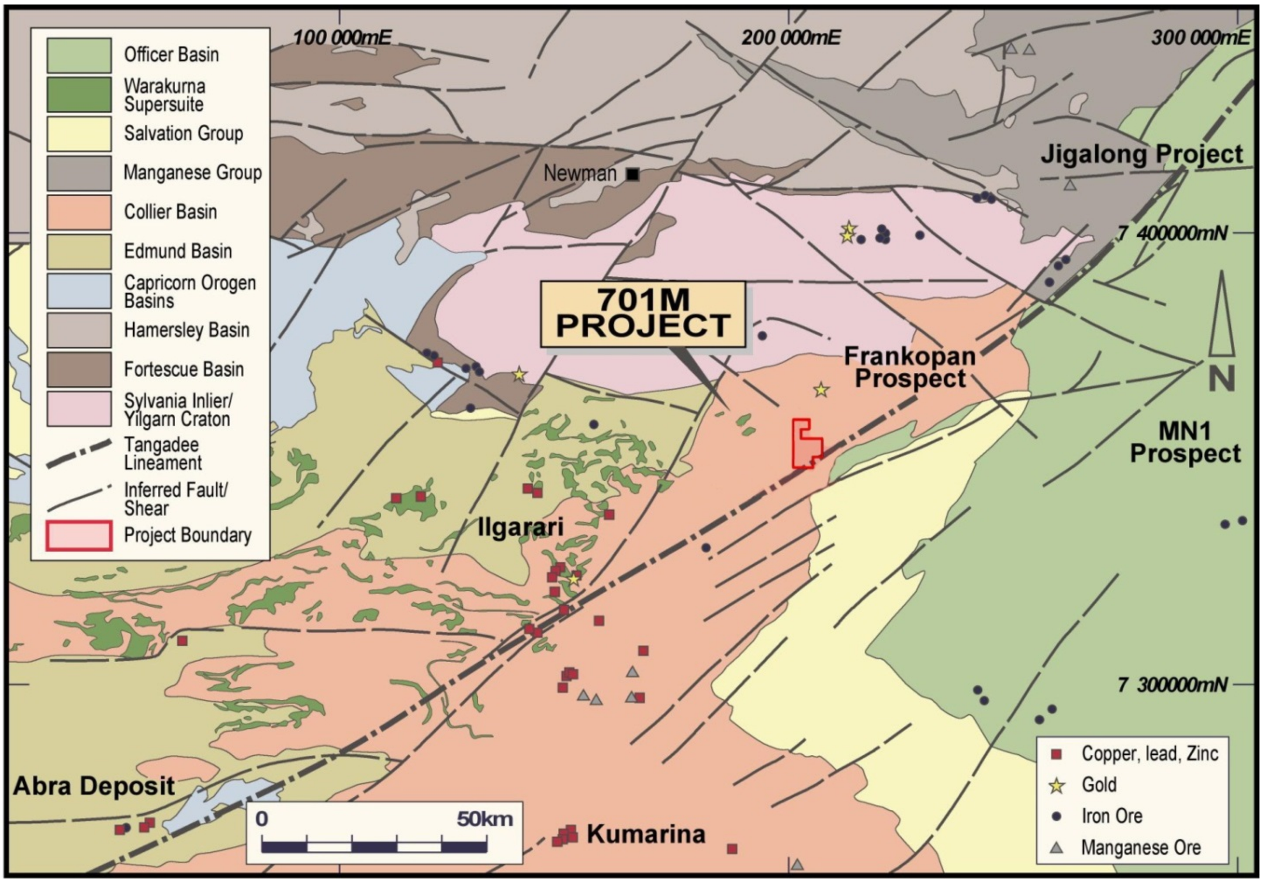

Figure 15: 701 Mile tenement location and regional geology.

The region hosts a number of significant discoveries, which include base metals deposits at 'Kumarina' and 'Abra' as well as Independence Group's (ASX:IGO) Karlawinda Gold Project. Independence Group reported an Inferred Mineral Resource at the Karlawinda Gold Project of 18.5Mt @ 1.1 g/t Au for 674,300 ounces of contained gold[36].

Laconia's exploration programs at the 701 Mile Project to date (auger geochemical programs, geological mapping and aeromagnetic interpretation) indicate that the Project has considerable potential for various mineralisation styles including structurally controlled polymetallic lodes and veins associated with faults and the

[36] *Refer to Independence Group NL ASX announcement 28 June 2012.*

margins of mafic intrusives.

During the year, project evaluation and costed work program planning was undertaken for the 701 Mile tenure, to continue testing the area through infill surface sampling programs. No field work was undertaken during the year.

MOOLETAR PROJECT – IRON ORE, MID WEST/SOUTHERN PILBARA, WA (100% LACONIA)

LACONIA: (M58/110, P58/1385-1388, P58/1408-1411, P58/1495, P58/1499 and E58/391)(100%)

About the Mooletar Project

In Western Australia rationalisation of Laconia's Projects continued with relinquishment of the Mooletar Project tenure due to the downturn in the iron ore price and drop in demand for magnetite projects.

GOLDSWORTHY PROJECT, BASE METALS, PILBARA, WA (100% LACONIA)

LACONIA: E45/3904 (100%)

The Goldsworthy Project is a single exploration licence E45/3904, situated 85km east of Port Hedland. Geophysical imagery by previous explorers indicates the presence of a shallowly buried volcanic complex representing a VMS style base metal target.

During the year, Independence Group NL (IGO) managed exploration as part of an earn-in joint venture with Laconia.

Under the earn-in joint venture, Laconia granted Independence Group exclusive rights to explore for all minerals for a two year period from May 10 2013 and to earn a 51% interest in the project by spending $150,000 (including a cash component of $10,000 paid to Laconia). IGO were granted the right to elect to earn an additional 29% of the Project by expenditure of an additional $300,000 within this period.

IGO agreed to free carry Laconia until it has elected to earn its 80% interest. Laconia were granted the right to elect to contribute expenditure in the joint venture in proportion to its 20% interest or dilute under industry standards dilution formulas. It was also agreed that if Laconia diluted below a 5% interest, its interest would convert to a 1% net smelter royalty.

Subsequent to the end of the June Quarter 2014 Independence Group NL has elected to withdraw from this joint venture.

COMPETENT PERSONS STATEMENTS

Rasuhuilca Deposit Mineral Resource estimation

The information in this presentation that relates to the Rasuhuilca deposit Mineral Resource estimation is based on, and fairly represents, information and supporting documentation prepared by Mr Ian Glacken, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Glacken is a Director of Optiro Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Glacken consents to the inclusion in this presentation the matters based on his information in the form and context in which it appears.

Exploration Results at Española 1, Favi, Indigena, Española 2, Rosita and Fortuna Prospects

The information in this report that relates to Exploration Results at Española 1, Favi, Indigena, Española 2, Rosita and Fortuna Prospects is extracted from reports titled "High-Grade Copper identified at Rasuhuilca Project, Peru" lodged with ASX on 27 February 2013, "High-Grade Copper Results Highlight Rapidly Growing Potential of Copper-Gold-Silver Project, Peru" lodged with ASX on 9 April 2013, "Technical Data support Copper Porphyry Potential" lodged with ASX on 23 August 2013, "High-grade Copper, Bonanza Precious Metal Results at Fortuna" lodged with ASX on 17 December 2013, "High-grade Copper System Expanded North to Rosita, Peru" lodged on 28 January 2014, "High-grade Copper at Favi Prospect, Peru" lodged with the ASX on 11 March 2014, "High-grade Copper Intersection at Española 1 Prospect, Peru" lodged with the ASX on 10 June 2014 and "High-grade Copper-Gold-Silver Surface Samples, Peru" lodged with the ASX 18 June 2014. These reports were based upon information compiled by Mr Vincent Algar, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Algar is a former Non-Executive Director and is presently a consultant for Laconia Resources Limited. Mr Algar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Algar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Project Acquisition and Duplicate underground sampling results

The information in this report that relates to Exploration Results at Rasuhuilca Deposit at the Kimsa Orcco Project (formerly Rasuhuilca Project) is extracted from reports titled "Quarterly and Cashflow Report" lodged with the ASX on 25 January 2012, "Acquisition of Rasuhuilca Au Ag Project in Peru Completed" lodged with the ASX on 1 June 2012 and "Rasuhuilca Gold Silver Project Advances" lodged with the ASX on 4 July 2012. These reports were based on, and fairly represent, information and supporting documentation prepared by Mr Vincent Algar, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Algar is a former Non-Executive Director and is presently a consultant of Laconia Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Algar consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Exploration Targets

The information in this report that relates to Exploration Targets at Española 1, Condor, Huallatas, Olga and Marcelita Prospects is based on information compiled by Mr Vincent Algar, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Algar is a consultant for Laconia Resources Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being undertaken to qualify as a Competent Person as defined in the

2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Algar consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The Company advises that this information relating to Exploration Targets at Española 1, Condor, Huallatas, Olga and Marcelita Prospects was previous released to the market in the ASX announcement titled "Exploration Results Updated to JORC 2012" dated 20 March 2014 based on information compiled by the Competent Person in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' . The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement of 20 March 2014. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Laconia Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Matthew Howison LLB, LLM, MBA (Non-Executive Chairman)

Mr Howison is a lawyer and investment banker who has held senior positions at NM Rothschild & Sons (Australia) Limited, Turnbulll & Partners, Goldman Sachs Australia and Salomon Smith Barney before establishing the private merchant banking firm Emerald Partners. In these roles he has been involved in advising on mergers and acquisitions and capital raising transactions for major Australian and international corporations and has extensive experience in contested public company takeovers. He has particular expertise in the metals and mining, energy, renewable energy, media and technology industries. He is an active investor in and adviser to a wide range of exploration companies. Mr Howison became a Non-Executive Director on 29 June 2009 and became Chairman on 1 August 2012.

Mr Howison is the chair of the Audit Committee.

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

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

Mr Stuart has experience in both the finance industry and mining. Mr Stuart holds an Honours degree in Geology and is a Fellow of the Financial Services Institute of Australasia. As a stockbroker, Mr Stuart has worked in the finance industry over the last eight years, most recently with Macquarie Private Wealth. Mr Stuart has extensive experience with capital raisings within the junior resource sector. Prior to this Mr Stuart was a senior geologist with experience throughout Australia and Africa, exploring for both gold and base metals including feasibility studies and project development. Mr Stuart was appointed a Managing Director on 29 June 2009.

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

Matthew Edmondson, B.Com, CA, GIA (Non-Executive Director)

Mr Edmondson holds a Bachelor of Commerce degree from the University of Western Australia and is a member of the Institute of Chartered Accountants in Australia. Mr Edmondson is also an Associate member of the Governance Institute of Australia. He has more than 20 years of experience in a variety of roles and industries involving accounting and corporate administration in the United Kingdom and Australia. Mr Edmondson provides company secretarial, finance and corporate administration services to listed public companies and a number of private organisations. Mr Edmondson was appointed Non-Executive director on 24 January 2014.

Mr Edmondson is a member of the Audit committee.

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

Dr Saliba Sassine, BEc. (Hons), Ph.D

Dr Sassine was a Non-Executive Director until 8 November 2013.

In the three years prior to the current year, Dr Sassine was a director in ASX-listed Consegna Group Limited (formerly Helicon Group Limited) until 12 April 2011), and White Eagle Resources Limited (formerly Red October Limited) until 12 August 2013.

Vincent Algar, B.Sc (Geology), MAUSIMM
Mr Algar was a Non-Executive Director and Chairman of the Audit Committee until 28 January 2014.

In the three years prior to the current year, Mr Algar was a director in ASX-listed Shaw River Manganese Limited until 20 March 2012.

COMPANY SECRETARY

Mr Edmondson was appointed Company Secretary on 4 July 2012.

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

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

	Ordinary Shares	Listed Options (30 Sept 2018)	Unlisted Options (30 Sept 2014)	Unlisted Options (30 Sept 2018)	Performance Rights
Directors					
Ian Stuart	13,278,800	12,500,000	2,500,000	2,000,000	3,400,000
Matthew Howison	2,875,000	3,750,000	1,250,000	2,000,000	3,400,000
Matthew Edmondson	2,150,000	5,800,000	nil	2,000,000	3,400,000

The following unlisted share options of Laconia Resources Limited were granted to directors of the Company with shareholder approval since 1 July 2013 and the date of this report as part of their remuneration.

Directors and Officers	Number of options granted
Directors	
Ian Stuart	2,000,000
Matthew Howison	2,000,000
Matthew Edmondson	2,000,000

The following unlisted performance rights of Laconia Resources Limited were granted to directors of the Company with shareholder approval since 1 July 2013 and the date of this report as part of their remuneration.

Directors and Officers	Number of performance rights granted
Directors	
Ian Stuart	3,400,000
Matthew Howison	3,400,000
Matthew Edmondson	3,400,000

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period were the acquisition of mining tenements, and the exploration of these tenements with the objective of identifying economic mineral deposits.

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Finance Review

The Group commenced the financial year with cash assets of $434,092.

During the period total exploration expenditure incurred by the Group amounted to $2,221,550 (2013: $1,886,535). In line with the Group's accounting policies, all exploration expenditure, other than acquisition costs, are written off as they are incurred. Net administration expenditure incurred amounted to $862,661 (2013: $1,678,437). This has resulted in an operating loss after income tax for the period ended 30 June 2014 of $1,969,094 (2013: $4,020,571). At 30 June 2014 cash assets available totalled $188,699.

Operating Results for the Period

Summarised operating results are as follows:

	2014	
	Revenues $	Results $
Revenues and loss from ordinary activities before income tax expense	137,655	153,566

Shareholder Returns

	2014	2013
Basic loss per share (cents)	(0.07)	(0.1)

Risk Management

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 21, have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

REMUNERATION REPORT (AUDITED)

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

Principles used to determine the nature and amount of remuneration

Remuneration Policy

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

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

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

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

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

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

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

Performance based remuneration

During the year, the Group also introduced a medium and longer term incentive programme by issuing 6,000,000 Incentive options and 10,200,000 Performance rights to directors. This has established a relationship between shareholder wealth, director remuneration and Group performance which the directors believe is an important link to have.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2014.

Voting and comments made at the Company's 2013 Annual General Meeting

The Company received approximately 99.8% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of remuneration

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

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

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

Key management personnel of the Group

	Short-Term		Post-Employment		Share-based Payments	Total
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits		
	$	$	$	$	$	$
Directors						
Ian Stuart						
2014	**115,000**	**-**	**-**	**-**	**37,600**	**152,600**
2013	279,784	-	-	-	300,000	579,784
Matthew Howison						
2014	**8,250**	**-**	**763**	**-**	**37,600**	**46,613**
2013	17,500	-	1,575	-	112,500	131,575
Matthew Edmondson						
2014	**121,738**	**-**	**574**	**-**	**37,600**	**159,912**
2013	123,300	-	-	-	135,000	258,300
Vincent Algar						
2014	**-**	**-**	**-**	**-**	**-**	**-**
2013	99,954	-	1,575	-	225,000	326,529
Saliba Sassine						
2014	**-**	**-**	**-**	**-**	**-**	**-**
2013	96,150	-	1,575	-	112,500	210,225
Other Key Management Personnel						
Nil						
Total Key Management Personnel Remuneration						
2014	**244,988**	**-**	**1,337**	**-**	**112,800**	**359,125**
2013	497,593	-	5,103	-	750,000	1,252,696

Service agreements

Ian Stuart

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

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

Mr Stuart was to be paid an annual salary of $220,000 (inclusive of superannuation entitlement). The Agreement was effective from 1 July 2009 and continues until terminated by either Mr Stuart or the Company. Mr Stuart is entitled to a minimum notice period of six months from the Company and the Company is entitled to a minimum notice period of six months from Mr Stuart.

On 17 August 2011, Mr Stuart's annual salary increased to $250,000 (inclusive of superannuation entitlement).

Geological consultancy services were provided by Lucy Stuart during the year, on commercial terms through Eclectricity Pty Ltd. There is no formal contract for these services and the total charged for the financial year was $43,232 (excluding gst). Mrs Stuart is the spouse of Mr Ian Stuart, the Managing Director.

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

Matthew Howison

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

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

Saliba Sassine

On 22 June 2012, the Company entered into an agreement to appoint Dr Sassine as a Non-Executive Director. Dr Sassine was to be paid $35,000 (inclusive of superannuation) per annum for his services as Non-Executive Director. The agreement provides for reimbursement of all reasonable expenses incurred when engaged in Laconia's business. The agreement does not provide for termination benefits. The appointment of Dr Sassine was otherwise on terms that are standard for an appointment of this nature.

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

On 15 June 2012 the Company entered into an agreement with S & A Capital Pty Ltd, a related party to Dr Sassine at the rate of $6,500 per month. The agreement provides for reimbursement of all reasonable expenses incurred when engaged in Laconia's business. The agreement did not provide for termination benefits and was terminated on 27 November 2013.

Vincent Algar

On 26 June 2012, the Company entered into an agreement to appoint Mr Algar as a Non-Executive Director. Mr Algar is paid $35,000 (inclusive of superannuation) per annum for his services as Non-Executive Director. The agreement provides for reimbursement of all reasonable expenses incurred when engaged in Laconia's business. The agreement does not provide for termination benefits. The appointment of Mr Algar was otherwise on terms that are standard for an appointment of this nature.

On or around 1 July 2012, the Company entered into an agreement with Mr Algar to provide consultant geological services to the Company at commercial rates. The agreement provided for reimbursement of all reasonable expenses incurred when engaged in Laconia's business. The agreement did not provide for termination benefits.

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

Matthew Edmondson

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

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

SHARE-BASED COMPENSATION

The terms and conditions of each grant of options and performance rights affecting remuneration in the current or a future reporting period are as follows:

Incentive Options:

Grant Date	Vesting date	Expiry date	Exercise Price	Value of options at grant date	Performance achieved	% Vested
27/05/2014	30/09/2018	30/09/2018	$0.014	$0.008	-	0%

Options granted carry no dividend or voting rights.

The exercise price of options is based on the predetermined price when the options were granted.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Laconia Resources Limited and each of the Key Management Personnel are set out below. When exercisable, each option is convertible into one ordinary share of Laconia Resources Limited. Further information on the options is set out in note 25 to the financial statements.

Name	Number of options granted during the year	Value of options at grant date *	Number of options vested during the year	Number of options lapsed during the year	Value lapse date **
Directors					
Ian Stuart	2,000,000	$0.008	-	-	-
Matthew Howison	2,000,000	$0.008	-	-	-
Matthew Edmondson	2,000,000	$0.008	-	-	-
Total	6,000,000				

Performance Rights:

Grant Date	Vesting date	Expiry date	Exercise Price	Value of options at grant date	Performance achieved	% Vested
30/11/2012	50% 31/12/2015 50% 31/12/2016	50% 31/12/2015 50% 31/12/2016	-	$0.008	-	0%

Performance rights granted carry no dividend or voting rights.

The exercise price of options is based on the predetermined price when the options were granted.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Laconia Resources Limited and each of the Key Management Personnel are set out below. When exercisable, each performance right is convertible into one ordinary share of Laconia Resources Limited. Further information on the performance is set out in note 25 to the financial statements.

Name	Number of options granted during the year	Value of options at grant date *	Number of options vested during the year	Number of options lapsed during the year	Value lapse date **
Directors					
Ian Stuart	3,400,000	$0.008	-	-	-
Matthew Howison	3,400,000	$0.008	-	-	-
Matthew Edmondson	3,400,000	$0.008	-	-	-
	10,200,000				

Notes

*The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

**The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

Fair values at grant date are independently determined using a Trinomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Shares provided on exercise of remuneration options.

During the financial year ended 30 June 2014 no remuneration options were exercised.

End of remuneration report.

DIRECTORS' MEETINGS

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

	Director's Meetings		Audit Committee Meetings	
	A	**B**	**A**	**B**
Ian Stuart	7	7	-	-
Matthew Howison	6	7	1	2
Matthew Edmondson	4	4	1	1
Saliba Sassine	2	2	-	-
Vincent Algar	3	3	1	1

Notes

A – Number of meetings attended.

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

SHARES UNDER OPTION

At the date of this report there are 323,377,849 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	207,377,849
Movements of share options during the period	
Lapsed	Nil
Issued	116,000,000
Total number of options outstanding as at 30 June 2014 and the date of this report	**323,377,849**

The balance is comprised as follows:

Expiry date	Exercise price (cents)	Number of options
listed		
30 September 2018	6.00	296,877,849
unlisted		
30 September 2014	19.87	20,500,000
30 September 2018	1.4	6,000,000
Total number of options outstanding at the date of this report		323,377,849

The following options lapsed during the year:

Original Expiry date	Exercise price (cents)	Number of options
Total option lapsed		Nil

No shares in Laconia Resources Limited were issued during the year ended 30 June 2014 upon the exercise of options.

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

INSURANCE OF DIRECTORS AND OFFICERS

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

(a) a wilful breach of duty; or

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

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

The total amount of insurance contract premiums paid is $11,904.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

NON-AUDIT SERVICES

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44.

Signed in accordance with a resolution of the directors.

Ian Stuart
Managing Director
Perth, 29 September 2014

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

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

Dear Sirs

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

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2014 financial statements; and

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

Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 29 September 2014

Chartered Accountants

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LACONIA RESOURCES LTD

Report on the financial report

We have audited the accompanying financial report of Laconia Resources Ltd ("the Company") which comprises the balance sheet as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flow state for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Audit opinion

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

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 paragraph (v) in the financial report which indicates the reason for preparing the accounts on a going concern basis. We note the Company incurred a net loss of $1,969,093 and had a decrease in cash for the year of $245,393. In the event the Company is unable to raise additional funding by way of capital raisings and reduce operational and exploration expenditure, there is a material uncertainty as to whether the Company may be able to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Audit opinion

In our opinion the remuneration report of Laconia Resources Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay Chartered Accountants

Graham R Swan FCA
Partner

Dated 29th September 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any shareholding qualification.

As and if the Company's activities increase in size, the nature and scope of the size of the Board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to adequately supervise the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the Board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be unreasonably withheld.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mining exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

To the extent that they are relevant to the organisation, the Company has adopted the Eight Corporate Governance Principles and Best Practice Recommendations as published by the ASX Corporate Governance Council.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the Company's present position in relation to each of the Principles.

CORPORATE GOVERNANCE STATEMENT (CON'T)

	ASX Principle	Status A = Adopted N/A = Not Adopted	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved for the Board and those delegated to senior executives and disclose those functions	**A**	Matters reserved for the Board are included on the Company website in the Corporate Governance Section. The Board Charter provides guidance in this respect.
1.2	Companies should disclose the process for evaluating the performance of senior executives	**A**	The remuneration of executive and non-executive directors is reviewed by the Board with the exclusion of the Director concerned. The remuneration of management and employees is reviewed by the Board and approved by the Chairman. Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of Company securities. Whenever relevant, any such matters are reported to ASX.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A**	The Board Charter and the Nomination Committee Charter provides guidance in this respect.
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors	**N/A**	Given the Company's background, the nature and size of its business and the current stage of its development the Board compromises three directors, two of whom are Non-Executive (including the independent Chairman). The Board considers these factors do not justify the expense of the appointment of a majority of independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

	ASX Principle	Status	Reference/comment
2.2	The chair should be an independent director	A	Having considered the Corporate Governance Principles and Best Practice Recommendations as published by the ASX Corporate Governance Council for Independence, the Company concludes the Chairman is independent. This is not withstanding that a related party to the current chair provided some investor relation services from 1 February 2012 until 30 September 2012 but that were not considered material.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	A	The position of Chairman and Managing Director are held by separate persons.
2.4	The Board should establish a nomination committee	N/A	The full Board performs the role of the Nomination Committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate Nomination Committee would add any substance to this process.
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors	N/A	Given the size and nature of the Company a formal process for performance evaluation has not been developed. The Board undertakes a constant informal review process of evaluating the performance of directors and the Board as a whole.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A	The skills and experience of the Directors are set out in the Company's Annual Report (Directors' Report) and on the website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders	A	The Company has established a Code of Conduct which can be viewed on its website.

	ASX Principle	Status	Reference/comment
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices		
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	**A**	The Company has adopted a diversity policy which can be viewed on its website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	**N/A**	The Company has adopted a diversity policy which can be viewed on its website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. However, given the Company's size and stage of development as an exploration company, the Board does not think it is yet appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	**A**	The proportion of women in the whole organisation is 38%. The proportion of women in senior management positions is 67% There are currently no women on the Board.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3	**A**	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee	**A**	The Company has established an audit committee.
4.2	The audit committee should be structured so that it:		

CORPORATE GOVERNANCE STATEMENT (CON'T)

	ASX Principle	Status	Reference/comment
	• consists only of non-executive directors	N/A	The Audit committee consists of Matthew Howison (Non-Executive Chairman) and Matthew Edmondson (Non-Executive Director).
	• consists of a majority of independent directors	N/A	The Company only has one independent director. Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits.
	• is chaired by an independent chair, who is not chair of the Board	N/A	Mr Howison, Non-Executive Chairman, is chair of the Audit Committee. Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits.
	• has at least three members	A	The Audit committee consists of two members.
4.3	The audit committee should have a formal charter	A	The Company has established a formal audit charter which can be viewed on its website.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	The committee is to meet at least annually and otherwise as required.
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	A	The Company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The Board is acutely aware of the continuous disclosure regime and a copy of the Company's Continuous Disclosure Policy is available on the Company's website.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receives monthly reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board Meeting and constantly at management level.
Principle 6:	**Respect the rights of shareholders**		

CORPORATE GOVERNANCE STATEMENT (CON'T)

	ASX Principle	Status	Reference/comment
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	A	In line with adherence to continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual report, Quarterly Reports, the Company website and the distributions of specific releases covering major transactions and events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy which is included in its Corporate Governance Statement on the Company website.

Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	A	The Company has formulated a Risk Management Charter which is included in its Corporate Governance Statement on the Company website.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	A	The risk profile can be expected to change and procedures adapted as the Company's business develops and it grows in size and complexity. Regular review by the Board will be implemented to ensure that procedures adopted by management continue to be appropriate. The Company has not yet established an internal audit function due to the small size of the Company but continually reviews the internal control procedures.

7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	In accordance with ASX Principle 7, the Managing Director, who performs the chief executive function and the Chief Financial Officer provide the Board with an annual written statement that: • "the statement given with respect to the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board"; and • "the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects".
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**A**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee	**N/A**	The full Board carries out the duties that would normally fall to the Remuneration Committee. The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.
8.2	The remuneration committee should be structured so that it:		
	• consists of a majority of independent directors	**N/A**	The Company only has one independent director. Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits.
	• is chaired by an independent chair	**N/A**	Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits.
	• has at least three members.	**A**	
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	Refer to the Remuneration Report in the Company's Annual Report.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

Explanations for departures from ASX Corporate Governance Recommendations

The Board sets out below, on an "if not, why not" basis, disclosure of any ASX Corporate Governance Recommendations that have not been adopted by the Company during the financial year ended 30 June 2013.

Principle 2 – Recommendation 2.1

Notification of departure

During the year ending 30 June 2013, the Board did not have a majority of independent Directors. The ASX Corporate Governance Recommendations provide for a test of independence as set out in Box 2.1 of the ASX Corporate Governance Recommendations (Independence Test). In accordance with the Independence Test, and as a result of information provided by Directors:

Director	Nature of Interest
Ian Stuart is considered not to be independent	Mr Stuart held the executive position as Managing Director
Matthew Howison is considered to be independent	Mr Howison's interest in securities of the Company and some shareholder relations services provided by a company associated to Mr Howison do not impact on his independence in the view of the Company.
Matthew Edmondson is considered not to be independent	Mr Edmondson provides consulting Company Secretarial, Financial and general commercial management services to the Company.

Explanation of departure

Given the present size of the Company and the Board, the Directors do not consider any material additional efficiencies will be obtained by appointing an additional independent director to effectively discharge their responsibilities and duties.

The Board considers that its structure and size is, and will continue to be, appropriate in the context of the Company's strategic plans. The Company considers that the non-independent directors possess the skills and experience suitable for building the Company. The Board intends to reconsider its composition as the Company's operations evolve, and intends to appoint additional independent directors as it deems appropriate.

All directors are aware that they are required to bring an independent judgment to bear on Board decisions. Where a potential conflict of interest may arise, involved directors must, unless the remaining directors resolve otherwise, withdraw from deliberations concerning the matter. Further, each director has the right to seek independent professional advice at the expense of the Company.

Principle 2 – Recommendation 2.4

Notification and explanation of departure

Given the size and nature of the Company, the full Board performs the role of the Nomination Committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate Nomination Committee would add any substance to this process.

Principle 2 – Recommendation 2.5

Notification and explanation of departure

The Company has not disclosed the process for evaluating the performance of the Board, is committees and individual directors as recommended by the ASX Corporate Governance Council.

Given the size and nature of the Company a formal process for performance evaluation has not been developed. The Board undertakes a constant informal review process of evaluating the performance of directors and the Board as a whole.

Principle 3 – Recommendation 3

Notification and explanation of departure

The Company has not stated its measurable objectives for achieving gender diversity as recommended ASX Corporate Governance Council. Accordingly, it also makes no comment regarding progress in achieving them.

Given the size and nature and stage of development of the Company, the Board has decided against setting any measurable objectives for achieving diversity. The Company intends on reviewing this as its workforce increases in size. The Company does however note a majority of female over male employees.

Principle 4 – Recommendation 2

Notification and explanation of departure

By virtue of the size of the Board and a decision to source members for the audit committee solely from the Board, the Company could not satisfy ASX Corporate Governance Recommendation 4.2 requiring that the audit committee should be structured so that it consists only of Non-Executive Directors. In addition, it currently consists on only two directors, rather than the three stated in the Audit Committee Charter.

Principle 8 – Recommendation 2

Notification and explanation of departure

By virtue of the size of the Board and a resultant decision not to form a separate remuneration committee, the Company could not satisfy ASX Corporate Governance Recommendation 8.2 requiring that the Remuneration committee should be structured so that it consists of a majority of independent directors.

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2014	Notes	Consolidated	
		2014	2013
		$	$
REVENUE	4	**137,655**	155,704
EXPENDITURE			
Depreciation expense		**(113,739)**	(91,015)
Employee benefits expense		**(147,153)**	(142,502)
Exploration expenses		**(551,530)**	(1,886,535)
Administration expenses		**(862,661)**	(1,678,437)
Other expenses		**(433,666)**	(34,666)
Share-based payments expense		**(112,800)**	(1,035,000)
LOSS BEFORE INCOME TAX		**(2,221,549)**	(4,712,451)
INCOME TAX BENEFIT/(EXPENSE)	6	**114,801**	691,880
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF LACONIA RESOURCES LIMITED		**(1,969,093)**	(4,020,571)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	23	**(0.07)**	(0.1)

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

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014	Notes	Consolidated 2014	Consolidated 2013
		$	$
CURRENT ASSETS			
Cash and cash equivalents	7	**188,699**	434,092
Trade and other receivables	8	**247,535**	89,344
TOTAL CURRENT ASSETS		**436,234**	523,436
NON-CURRENT ASSETS			
Plant and equipment	9	**92,016**	134,137
Mining properties	10	**5,444,877**	5,594,424
Assets held for resale		**82,777**	26,250
TOTAL NON-CURRENT ASSETS		**5,619,670**	5,754,811
TOTAL ASSETS		**6,055,904**	6,278,247
CURRENT LIABILITIES			
Trade and other payables	11	**175,411**	510,445
TOTAL CURRENT LIABILITIES		**175,411**	510,445
TOTAL LIABILITIES		**175,411**	510,445
NET ASSETS		**5,880,493**	5,767,802
EQUITY			
Issued capital	12	**16,086,820**	13,686,487
Reserves	13(a)	**2,039,367**	1,708,826
Convertible notes	12(f)	**-**	649,090
Accumulated losses	13(b)	**(12,245,694)**	(10,276,601)
TOTAL EQUITY		**5,880,493**	5,767,802

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2014	Notes	Contributed Equity	Convertible Note	Share-based Payments Reserve	Options Reserves	Foreign Exchange Reserves	Accumulated Losses	Total
Consolidated		$		$	$	$	$	$
BALANCE AT 1 JULY 2012		11,975,022	649,090	223,826	-	-	(6,256,030)	6,591,908
Loss for the year	13(b)	-	-	-	-	-	(4,020,571)	(4,020,571)
TOTAL COMPREHENSIVE LOSS		-	-	-	-	-	(4,020,571)	(4,020,571)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS								
Shares issued during the year	12	1,711,465	-	-	-	-	-	1,711,465
Convertible notes issued	12	-	-	1,035,000	450,000	-	-	1,485,000
BALANCE AT 30 JUNE 2013		13,686,487	649,090	1,258,826	450,000	-	(10,276,601)	5,767,802
Loss for the year	13(b)	**-**	**-**	**-**	**-**	**-**	**(1,969,093)**	**(1,969,093)**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**-**	**-**	**-**	**(1,969,093)**	**(1,969,093)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS								
Shares issued during the year	12	**1,662,182**	**-**	**-**	**-**	**-**	**-**	**1,662,183**
Convertible note converted to shares		**738,151**	**(649,090)**	**-**	**-**	**-**	**-**	**89,061**
Options issued	12(f)	**-**	**-**	**112,800**	**51,292**	**-**	**-**	**164,092**
Foreign exchange movement		**-**	**-**	**-**	**-**	**166,449**	**-**	**166,448**
BALANCE AT 30 JUNE 2014		**16,086,820**	**-**	**1,371,626**	**501,292**	**166,449**	**(12,245,694)**	**5,880,493**

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

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2014	Notes	Consolidated	
		2014	2013
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,618,216)**	(1,944,452)
Expenditure on mining interests		**(1,623,726)**	(1,362,194)
Research & development refund		**114,801**	691,880
Interest received		**10,628**	21,524
Other income		**126,357**	36,680
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22(a)	**(2,990,156)**	(2,556,562)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(28,864)**	(56,085)
Proceeds from sale of mining properties		**327,500**	10,000
Proceeds from sale of other investments		**-**	55,294
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**298,636**	(9,209)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of options net of option issue cost		**45,793**	-
Proceeds from issues of ordinary shares net of share issue cost		**2,400,334**	2,054,855
NET CASH INFLOW FROM FINANCING ACTIVITIES		**2,446,127**	2,054,855
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(245,393)**	(492,498)
Cash and cash equivalents at the beginning of the financial year		**434,092**	926,590
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**188,699**	434,092

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Laconia Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency. Laconia Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 29 September 2014. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iv) Historical cost convention

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Laconia Resources Limited ("Company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. Laconia Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

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

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

(ii) Changes in ownership interests

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

(e) Revenue recognition

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

(f) Income tax

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

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

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

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

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

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

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

(g) Leases

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

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 19). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

(k) Investments and other financial assets

Classification

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Financial assets - reclassification

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

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

Recognition and derecognition

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

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

Measurement

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

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

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

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

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

Impairment

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

(i) Assets carried at amortised cost

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

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

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

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

(l) Plant and equipment

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

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

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

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

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

(m) Exploration and evaluation costs

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

(n) Trade and other payables

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

(o) Employee benefits

Wages and salaries and annual leave

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

(p) Share-based payments

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

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

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

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

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

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

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

(q) Issued capital

Ordinary shares are classified as equity.

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

(r) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(s) Goods and Services Tax (GST)

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

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

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

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group'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 Group.

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing 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;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2011–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2011) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012)

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011/1 January 2013)

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2011–7] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2011–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Group.

AASB 1054: Australian Additional Disclosures (applies to periods beginning on or after 1 January 2013)

This Standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.

This Standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following

areas:
- compliance with Australian Accounting Standards;
- the statutory basis or reporting framework for financial statements;
- whether the financial statements are general purpose or special purpose;
- audit fees; and
- imputation credits.

This Standard is not expected to impact the Group.

AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101 & AASB 1054] (applies to periods beginning on or after 1 July 2013)

This Standard makes amendments to the application of the revised disclosures to Tier 2 entities that are applying AASB 1053.

This Standard is not expected to impact the Group.

AASB 10: Consolidated Financial Statements (applies to periods beginning on or after 1 January 2013)

This Standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112*Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This Standard is not expected to impact the Group.

AASB 11: Joint Arrangements (applies to periods beginning on or after 1 January 2013)

This Standard replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-Controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the Group.

AASB 12: Disclosures of Interests in Other Entities (applies to periods beginning on or after 1 January 2013)

This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Group has not yet determined any potential impact on the financial statements.

AASB 13: Fair Value Measurement (applies to periods beginning on or after 1 January 2013)

This Standard establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Group has not yet determined any potential impact on the financial statements.

AASB 119: Employee Benefits (applicable for annual reporting periods commencing on or after 1 January 2013)

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn.

Consequential amendments were also made to other standards via AASB 2011-10.

Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (applicable for annual reporting periods commencing on or after 1 January 2013)

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

(u) Critical accounting judgements, estimates and assumptions

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

(v) Going concern

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

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

2. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Managing Director, with the assistance of 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

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

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

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

(ii) Price risk

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

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $188,699 (2013: $413,191) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the period depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 3.0% (2013: 3.0%).

Sensitivity analysis

At 30 June 2014, if interest rates had changed by +/- 100 basis points from the weighted average rate for the period with all other variables held constant, post-tax loss for the Group would have been $130 (2013: $209) lower/higher as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

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

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

(c) Liquidity risk

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

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

(d) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

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

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

	Australia		Peru		Consolidated Total	
	2014	2013	2014	2013	2014	2013
	$	$	$	$	$	$
Segment revenue	-	-	-	-	-	-
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue	**11,299**	21,524	**-**	-	**11,299**	21,524
Other revenue	**110,024**	134,180	**16,332**	-	**126,356**	134,180
Total revenue	**121,323**	155,704	**16,332**	-	**137,655**	155,704
Segment results	**(217,143)**	(1,013,017)	**(334,387)**	(1,157,549)	**(551,530)**	(2,170,566)
Reconciliation of segment result to net loss before tax:						
Other corporate and administration	**(1,354,886)**	(2,541,885)	**(177,478)**	-	**(1,532,364)**	(2,541,885)
Net loss before tax	**(1,572,029)**	(3,554,902)	**(511,865)**	(1,157,549)	**(2,083,894)**	(4,712,451)
Income tax benefit	**114,801**	691,880	**-**	-	**114,801**	691,880
Net loss after tax	**(1,457,228)**	(2,863,022)	**(511,865)**	(1,157,549)	**(1,969,093)**	(4,020,571)
Segment operating assets	**4,706,454**	5,909,687	**913,216**	244,908	**5,619,670**	6,154,595
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets	**177,159**	82,966	**259,075**	40,686	**436,234**	123,652
Total assets	**4,883,613**	5,992,653	**1,172,291**	285,594	**6,055,904**	6,278,247
Segment operating liabilties	**(112,245)**	(235,593)	**(63,166)**	(97,991)	**(175,411)**	(333,584)
Reconciliation of segment operating liabilities to total liabilities:						
Other corporate and administration liabilities	**-**	(176,861)	**-**	-	**-**	(176,861)
Total liabilities	**(112,245)**	(412,454)	**(63,166)**	(97,991)	**(175,411)**	(510,445)

	Consolidated	
	2014	**2013**
	$	**$**
4. REVENUE		
From continuing operations		
Interest	**11,299**	21,524
Option over mining asset	**100,000**	-
Other income	**26,356**	134,180
	137,655	155,704
5. EXPENSES		
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**4,611**	25,255
Minimum lease payments relating to operating leases	**44,012**	38,335
6. INCOME TAX		
(a) Income tax expense		
Current tax	**(114,801)**	(691,880)
Deferred tax	**-**	-
	(114,801)	(691,880)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(1,969,093)**	(4,712,451)
Prima facie tax benefit at the Australian tax rate of 30%	**(590,728)**	(1,413,735)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**33,840**	310,500
Sundry items	**283**	1,088
	(556,605)	(1,102,147)
Movements in unrecognised temporary differences	**388,900**	406,698
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**167,705**	695,499
Research & development grant	**(114,801)**	(691,880)
Income tax expense	**(114,801)**	(691,880)
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
On Income Tax Account		
Provision for expenses	**4,702**	40,692
Capital raising costs	**92,699**	119,881
Investments	**229,880**	-
Sundry items	**-**	-
Carry forward tax losses	**3,737,143**	3,568,796
	4,064,424	3,729,369

	Consolidated 2014 $	Consolidated 2013 $
Deferred Tax Liabilities (at 30%)		
Sundry items	**-**	-
Capitalised tenement acquisition costs	**1,633,463**	1,678,327
	1,633,463	1,678,327

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.
The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.
The income tax benefit represents a refund of Research & Development expenditure for the year ended 30 June 2014 that was received from the Australian Tax Office during the current year.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2014	2013
Cash at bank and in hand	**165,620**	413,191
Short-term deposits	**23,079**	20,901
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**188,699**	434,092

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

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2014	2013
Trade receivables	**247,535**	89,344

9. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2014	2013
Plant and equipment		
Cost	**281,329**	323,762
Accumulated depreciation	**(189,313)**	(189,625)
Net book amount	**92,016**	134,137
Plant and equipment		
Opening net book amount	**134,137**	169,066
Effect of foreign currency translation	**(1,033)**	66,430
Additions	**28,864**	59,347
Disposal	**(18,283)**	(69,691)
Depreciation charge	**(51,669)**	(91,015)
Closing net book amount	**92,016**	134,137

	Consolidated	
	2014	2013
	$	$

10. NON-CURRENT ASSETS – MINING PROPERTIES

	2014 $	2013 $
Tenement acquisition costs carried forward in respect of mining areas of interest		
Opening net book amount	**5,594,424**	5,960,380
Sale of tenement	**(811,086)**	(365,956)
Capitalised tenement acquisition costs	**661,539**	-
Closing net book amount	**5,444,877**	5,594,424

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

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2014 $	2013 $
Trade payables	**140,151**	92,346
Other payables and accruals	**35,260**	418,099
	175,411	510,445

12. ISSUED CAPITAL

(a) Share capital

	Notes	2014 Number of shares	2014 $	2013 Number of shares	2013 $
Ordinary shares fully paid	12(b), 12(d)	**483,722,597**	**16,086,820**	274,755,891	13,686,487
Total issued capital		**483,722,597**	**16,086,820**	274,755,891	13,686,487
(b) Movements in ordinary share capital					
Beginning of the financial year		**274,755,891**	**13,686,487**	157,625,010	11,975,022
Issued during the year:					
Issued as part conversion of convertible note		**7,381,506**	**738,151**	-	-
– Issued for cash at 0.8 cents per share		**110,000,000**	**880,000**	-	-
– Issued for cash at 1 cents per share		**91,585,200**	**915,852**	-	-
– Issued for cash at 2 cents per share		**-**	**-**	114,278,131	2,285,563
– Issued for cash at 3 cents per share		**-**	**-**	750,000	22,500
– Issued for cash at 4 cents per share		**-**	**-**	2,102,750	84,110
Less: Transaction costs		**-**	**(133,670)**	-	(680,708)
End of the financial year		**483,722,597**	**16,086,820**	274,755,891	13,686,487

(c) Movements in options on issue

	Number of options	
	2014	**2013**
Beginning of the financial year	**70,000,000**	24,100,000
Options lapsed during the year	**-**	(3,600,000)
Issued during the year	**253,377,849**	49,500,000
End of the financial year	**323,377,849**	70,000,000

(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) Performance Shares

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

(f) Convertible Note

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

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

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

13. RESERVES AND ACCUMULATED LOSSES

	2014	**2013**
(a) Reserves		
Share-based payments reserve	**1,821,626**	1,708,826
Options reserve	**45,793**	
Foreign currency translation reserve	**166,448**	-
	2,039,367	1,708,826
Movements:		
Share-based payments and option reserve		
Balance at beginning of financial year	**1,708,826**	223,826
Options issued during the year	**45,793**	-
Share based payment expense	**112,800**	1,485,000
Balance at end of financial year	**1,867,419**	1,708,826
Foreign currency translation reserve		
Balance at beginning of year	**-**	-
Exchange differences on translation of foreign operation	**166,448**	-
Balance at end of financial year	**166,448**	-
(b) Accumulated losses		
Balance at beginning of financial year	**(10,276,601)**	(6,256,030)
Net loss for the year	**(1,969,093)**	(4,020,571)
Balance at end of financial year	**(12,245,694)**	(10,276,601)

(c) Nature and purpose of reserves

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

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

14. DIVIDENDS

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

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated	
	2014	**2013**
	$	**$**
(a) Key management personnel compensation		
Short-term benefits	**244,988**	546,743
Post-employment benefits	**1,337**	9,215
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**112,800**	750,000
	359,125	1,305,958

Detailed remuneration disclosures are provided in the remuneration report on pages 35 to 41.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration, together with key terms and conditions of the options, can be found in the remuneration report on pages 39 to 41.

(ii) Option holdings
The numbers of options over ordinary shares in the Company held during the financial year by each director of Laconia Resources Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2014	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Laconia Resources Limited							
Ian Stuart	**12,500,000**	**5,400,000**	**-**	**2,500,000**	**20,400,000**	**15,000,000**	**-**
Matthew Edmondson	**4,500,000**	**5,400,000**	**-**	**1,300,000**	**11,200,000**	**5,800,000**	**-**
Matthew Howison	**5,000,000**	**5,400,000**	**-**	**-**	**10,400,000**	**5,000,000**	**-**
Vincent Algar	**7,500,000**	**-**	**-**	**91,334**	**7,591,334**	**7,591,334**	**-**
Saliba Sassine	**16,250,000**	**-**	**-**	**-**	**16,250,000**	**16,250,000**	**-**
Other key management personnel of the Group							
Nil							

NOTES TO THE FINANCIAL STATEMENTS (CON'T)

2013	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Laconia Resources Limited							
Ian Stuart	2,500,000	10,000,000	-	-	12,500,000	12,500,000	-
Matthew Edmondson	-	4,500,000	-	-	4,500,000	4,500,000	-
Matthew Howison	1,250,000	3,750,000	-	-	5,000,000	5,000,000	-
Vincent Algar	7,500,000	-	-	-	7,500,000	7,500,000	-
Saliba Sassine	12,500,000	3,750,000	-	-	16,250,000	16,250,000	-
Other key management personnel of the Group							
Ernie Poole	400,000	-	-	(400,000)	-	-	-

All vested options are exercisable at the end of the year.

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Laconia Resources 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.

2014	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 Laconia Resources Limited				
Ordinary shares				
Ian Stuart	**10,178,800**	**-**	**3,100,000**	**13,278,000**
Matthew Edmondson	**850,000**	**-**	**1,300,000**	**2,150,000**
Matthew Howison	**2,875,000**	**-**	**-**	**2,875,000**
Vincent Algar	**274,000**	**-**	**91,334**	**365,334**
Saliba Sassine	**27,755,000**	**-**	**(11,280,000)**	**16,475,000**

2013	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 Laconia Resources Limited				
Ordinary shares				
Michael Sharwood	1,000,000	-	-	1,000,000
Ian Stuart	7,150,000	-	3,028,800	10,178,800
Matthew Edmondson	-	-	850,000	850,000
Matthew Howison	2,575,000	-	300,000	2,875,000
Vincent Algar	16,000	-	258,000	274,000
Saliba Sassine	26,505,000	-	1,250,000	27,755,000

(c) Loans to key management personnel

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

(d) Other transactions with key management personnel

Services

Eclectricity Pty Ltd, a company of which Mr Stuart is a director and shareholder, provided contract geological services to the Company during the financial year to the value of $14,467 (2013: $47,461). The amounts paid were on arm's length commercial terms.

Regalriver Holdings Pty Ltd, a company of which Mr Edmondson is a director and shareholder, provided corporate advisory, financial accounting and company secretarial services to the Company during the 2014 financial year for total fees of $115,529 (2013:$123,300). The amounts paid were on arm's length commercial terms.

	2014	2013
	$	$

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	**37,500**	35,750
Total remuneration for audit services	**37,500**	35,750
(b) Non-audit services		
Rothsay Chartered Accountants – independent accountants report	-	-
Total remuneration for other services	-	-

17. CONTINGENCIES

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

18. COMMITMENTS

(a) Exploration commitments

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

within one year	**40,000**	474,780
later than one year but not later than five years	**120,000**	1,329,120
	160,000	1,803,900
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	**3,818**	38,335
later than one year but not later than five years	-	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**3,818**	38,335

The Group has a property lease that is a non-cancellable lease with a current term that runs until 31 October 2014. The Company is in discussions with the lessor regarding extending the lease term.

19. RELATED PARTY TRANSACTIONS

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 20.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 15.

(d) Loans to related parties

Laconia Resources Limited has provided unsecured, interest free loans to its wholly owned subsidiaries totalling $3,779,768 (2013: $2,504,915). An impairment assessment is undertaken each financial year by examining the financial position of each subsidiary and the market in which the respective subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

20. SUBSIDIARIES

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

Name	Country of incorporation	Class of shares	Equity Holding(1)	
			2014	2013
			%	%
Laconia South America Pty Ltd(2)	Australia	Ordinary	**100**	100
Mooletar Magnetite Pty Ltd(3)	Australia	Ordinary	**-**	100
Gold Mines of Peru SAC(4)	Peru	Ordinary	**100**	100
Minera Peru Gold SAC(4)	Peru	Ordinary	**100**	100
Compania Minera Sucre SA(4)	Peru	Ordinary	**100**	100

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

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

(3) This entity was incorporated on 14 June 2012 with Laconia Resources Limited as the sole shareholder.

(4) Not audited by Rothsay

21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Capital raising

On 28 August 2014, the Company announced that it completed a non-renounceable entitlement offer of five (5) shares (New Share) at an issue price of 0.5 cents per New Share for every seven (7) shares held on 11 September 2014, together with one (1) free attaching option exercisable at $0.06 each on or before 30 September 2018 for every one (1) New Share subscribed for and issued (New Option) (Entitlement Offer), to raise a maximum of $1,727,580. On 26 September 2014, the Company announced it had received valid applications worth $234,553 and also announced that lead manager to the non-renounceable entitlement offer, CPS Capital Group Pty Ltd is managing the placement of the shortfall.

	Consolidated 2014 $	Consolidated 2013 $
22. STATEMENT OF CASH FLOWS		
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(1,969,093)**	(4,020,571)
Non-Cash Items		
Depreciation of non-current assets	**113,739**	91,015
Share-based payments expense	**112,800**	1,035,000
Acquisition of mining assets	**-**	394,411
Accrued charges	**(120,198)**	-
Share issue cost	**133,668**	84,110
Profit on sale of mining assets/investments	**(888,044)**	(97,500)
Change in operating assets and liabilities		
(Increase) in trade and other receivables	**(158,191)**	(172,957)
Increase/(decrease) in trade and other payables	**(214,837)**	129,930
Net cash outflow from operating activities	**(2,990,156)**	(2,556,562)

(b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year. (2013 – nil)

23. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

	2014 $	2013 $
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(1,969,093)**	(4,020,571)

	Number of shares 2014	Number of shares 2013
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**266,020,950**	240,394,052

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2014, all options on issue are considered anti-dilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

24. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Laconia Resources Limited, at 30 June 2014. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2014 $	2013 $
Current assets	**177,159**	429,139
Non-current assets	**4,706,454**	7,898,819
Total assets	**4,883,613**	8,327,958
Current liabilities	**112,245**	412,454
Total liabilities	**112,245**	412,454
Issued capital	**16,086,823**	13,686,487
Share-based payments and option reserve	**2,039,367**	2,524,364
Accumulated losses	**(9,752,575)**	(8,295,347)
Total equity	**8,373,615**	7,915,504
Loss for the year	**(1,457,228)**	(2,863,022)
Total comprehensive loss for the year	**(1,457,228)**	(2,863,022)

25. SHARE BASED PAYMENTS

Fair value of options granted

The assessed weighted average fair value at grant date of incentive options granted during the year ended 30 June 2014 was 0.52 cents per option (2013 – 0.30 cents). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2013 included:

(a) 6,000,000 (2013 – 31,250,000) options granted to Directors for Nil consideration
(b) exercise price: $1.36 (2013 – 0.06)
(c) grant date: 16 April 2014 (2013 – Not applicable)
(d) expiry date: 30 September 2018 (2013 – 30 November 2012)
(e) share price at grant date: $0.08 (2013 – $0.03)
(f) expected price volatility of the Company's shares: 100% (2013 – 239.90%)
(g) expected dividend yield: 0% (2013 – 0%)
(h) risk-free interest rate: 2.50% (2013 – 2.62%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Fair value of performance rights granted

The assessed weighted average fair value at grant date of performance rights during the year ended 30 June 2014 was 0.8 cents per performance right (2013 – Not applicable). The fair value at grant date is independently determined using a trinomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for performance rights granted during the year ended 30 June 2014 included:

(a) 10,200,000 (2013 – Nil) options granted to Directors for Nil consideration
(b) exercise price: $0.014 (2013– Not applicable)
(c) grant date: 29 May 2014 (2013 – Not applicable)
(d) expiry date: 5,100,000 performance rights each expire on 31 December 2015 and 31 December 2016 respectively (2013 – Not applicable)
(e) share price at grant date: $0.009 (2013 – Not applicable)
(f) expected price volatility of the Company's shares: 100% (2013 – Not applicable)
(g) expected dividend yield: 0% (2013 – Not applicable)
(h) risk-free interest rate: 2.62% (2013 – Not applicable)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

DIRECTORS' DECLARATION

In the directors' opinion:

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

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

 (ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2014 and of their performance for the financial year ended on that date;

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

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

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

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

Ian Stuart
Managing Director

29 September 2014

ASX ADDITIONAL INFORMATION

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 September 2014.

Distribution of holders of equity securities

	Fully paid ordinary shares	Quoted options	Unquoted options	Unquoted Performance Shares	Unquoted Performance Rights	Unquoted Incentive Options
1 - 1,000	12	1			3	3
1,001 - 5,000	19	8				
5,001 – 10,000	47	12				
10,001 - 100,000	303	30				
100,000 and over	378	106	6	2		
	759	157	6	2	3	3
Holding less than a marketable parcel	392					

Substantial shareholders

Nil

Twenty largest holders of quoted equity securities

Fully Paid Ordinary Shares

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

		Number of shares	Percentage of total ordinary shares
1	SLADE TECHNOLOGIES PL	21,250,000	4.39%
2	PATOIR JOSEPHINE K	19,808,055	4.09%
3	*STUART IAN GEORGE	13,278,800	2.75%
4	*PERIZIA INV PL	13,028,251	2.69%
5	GOLDFIRE ENTPS PL	12,733,334	2.63%
6	EDMONDSON FIONNUALA C	10,339,612	2.14%
7	*GOLD MINES OF PERU LTD	9,255,000	1.91%
8	MARTIN ROBERT PAUL + S P	8,500,000	1.76%
9	TT NICHOLLS PL	7,700,000	1.59%
10	ABBAS TALAL	7,656,515	1.58%
11	SASSINE SALIBA	7,381,506	1.53%
12	KAPIRI HLDG PL	6,933,334	1.43%
13	OFFICER BRIAN C + S J	6,660,000	1.38%
14	TYRRELL JOHN R + C K	6,500,000	1.34%
15	BOYNE MURRAY EDSON + L M	6,433,334	1.33%
16	GEMELLI ROBERT	6,327,660	1.31%
17	WELLS CHRIS + JOSEPHINE	6,250,000	1.29%
18	SKINK RES PL	6,000,000	1.24%
19	*PANDELL PL	5,522,304	1.14%
20	LAIRD LISA JUDITH	5,100,000	1.05%
		186,657,705	38.57%

* Denotes merged holders.

Quoted Options

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

1	PATOIR JOSEPHINE K	22,662,812	7.63%
2	PERSHING AUST NOM PL	20,556,645	6.92%
3	EDMONDSON FIONNUALA C	19,264,213	6.49%
4	KAPIRI HLDG PL	15,978,031	5.38%
5	GEMELLI ROBERT	13,458,722	4.53%
6	STUART IAN GEORGE	12,500,000	4.21%
7	PERIZIA INV PL	11,834,417	3.99%
8	EDMONDSON ROHAN CHARLES	11,243,560	3.79%
9	SLADE TECHNOLOGIES PL	10,125,000	3.41%
10	MARTIN ROBERT PAUL + S P	8,500,000	2.86%
11	ALGAR VINCENT J + I V L	7,500,000	2.53%
12	MANDEVILLA PL	6,250,000	2.11%
13	OVERLAND CORNER WEST PL	5,444,318	1.83%
14	BLACK DAMIAN PETER + A J	5,284,091	1.78%
15	FLUE HLDGS PL	4,958,334	1.67%
16	GOLDFIRE ENTPS PL	4,683,334	1.58%
17	EDMONDSON MATTHEW EDWARD	4,500,000	1.52%
18	BOYNE MURRAY EDSON + L M	3,858,334	1.30%
19	HOWISON MATTHEW DAVID	3,750,000	1.26%
20	SASSINE SALIBA + Y M	3,750,000	1.26%
		196,101,811	66.05%

Home exchange

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

Buy back

Nil.

Restricted securities

There were no securities restricted by the ASX at the date of this report or the year ended 30 June 2014.

Schedule of interest in mining tenements

Location	Tenement	Percentage held/earning
Western Australia	E45/3904	100
Western Australia	E52/2688-I	80 *
Peru	Patacancha N° 1	100
Peru	Patacancha N° 2	100
Peru	Patacancha N° 3	100
Peru	Patacancha N° 4	100
Peru	Huaco Cucho N° 1	Note 2
Peru	Huaco Cucho N° 2	Note 2
Peru	Huaco Cucho Tres	Note 2
Peru	Huaco Cucho Cuatro	Note 2
Peru	Huaco Cucho Cinco	Note 2
Peru	Huaco Cucho Seis	Note 2
Peru	Huaco Cucho Siete	Note 2
Peru	Huaco Cucho Ocho	Note 2
Peru	Huaco Cucho Nueve	Note 2
Peru	Huaco Cucho Diez	Note 2
Peru	Huaco Cucho Once	Note 2
Peru	Jess Gold 1	100
Peru	Jess Gold ii	100
Peru	Jess Iron 1	100

Table 5: Schedule of interests in mining tenements.

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

Note 2: An 80% ownership in the tenement can be secured subject to conditions precedent referred to in ASX release by the Company dated 26 March 2013.

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