# Golden Cross Resources Ltd

# 2016 Annual Report

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# COMPANY PARTICULARS

## DIRECTORS

Ken Hellsten
BSc (Hons), MAICD, FAusIMM
*Chairman*

Xiaoming Li, BA(Comm), MBA
*Non-Executive Director*

Yuanheng Wang
*Non-Executive Director*

Yan Li, MBA
*Alternate Director for Xiaoming Li*

Neil Fearis
*Non-Executive Director*

Rob Thompson
*Non-Executive Director*

## COMPANY SECRETARY

Carl Hoyer

## EXPLORATION MANAGER

Bret Ferris BAppSc, GradDipCompSt, MAIG

## PRINCIPAL AND REGISTERED OFFICE

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## STOCK EXCHANGE LISTING

Golden Cross Resources Ltd securities are listed for quotation on the Australian Securities Exchange (Listing Code GCR)

## AUDITORS

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Chartered Accountants
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Sydney NSW 2000

## SHARE REGISTER

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Sydney NSW 2000

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Dear Shareholders,

The past year has seen significant change within the Company.

In early 2016 HQ Mining was successful in its takeover offer for Golden Cross Resources Limited (GCR) by increasing its shareholding in the Company to almost 77% and hence achieving effective control. For the remainder of the financial year HQ Mining provided funding for the Company through a series of loans which were complemented by the sale or joint venture of non-core assets. This enabled only baseline activities to be maintained during 2016, with the focus on maintaining core assets in good standing.

I am pleased to report that a strong Board with the range of technical, commercial and legal skills to take the Company forward has been established and is working effectively. Importantly, the Board has a majority of independent directors who are committed to delivering value for all shareholders.

On the technical front activities have been limited due to funding constraints. However, some important steps have been taken towards progressing the key projects. These include:

- Additional metallurgical testwork on materials from within the higher grade pit at Copper Hill outlined in the 2015 Scoping Study. This work provided support for the Scoping Study recovery profiles and importantly indicated that enhancements may be possible for copper in particular. Further work is planned to progress this important driver of project value when funding permits.

- Independent consultants conducted a review of the Cargo project and identified an attractive target for a large scale mineralised porphyry system below previous drilling. Significantly, this target has received an offer of $100,000 in funding through the New Frontiers Drilling Grant from the NSW Government.

Once additional funding is secured the Board is committed to progressing the Company's projects. The focus will be building on the excellent drilling, Scoping Study and metallurgical results at Copper Hill from 2014 until early 2016 with a view to undertaking a Pre-feasibility Study on a 2–3 mtpa mining and processing operation treating the higher grade resources through open pit mining, crushing, grinding and floatation to produce a copper-gold concentrate. In addition, the potential to utilise new processing technologies to deliver improved margins and higher quality products will be explored as part of the study program.

The priority for the coming year is to secure meaningful funding to enable the Company to deliver value from its key projects. HQ Mining has indicated its continued support for the Company and indicated it should be in a position to provide material funding support from early 2017. In the interim directors are exploring alternative options, including asset sales and a capital raising and will work with HQ Mining in an endeavour to ensure that the Company is adequately funded and in a position to progress its high calibre exploration portfolio to deliver value for shareholders.

The Board wishes to thank shareholders for their understanding and on-going support during the year. I welcome the opportunity to meet you at the Annual General Meeting and share with you our 2016 results and forward program.

Yours sincerely,

Ken Hellsten
**Chairman**

# Review of Operations

GCR's projects are diversified across a range of commodities and regions (**Figure 1**). During the year to 30 June 2016 progress across all projects was impacted by corporate changes and funding delays. A takeover of GCR by HQ Mining Investments Pty Ltd (HQM) was concluded on 29 January 2016 with HQM increasing its holding to 76.46% of the Company's share capital.

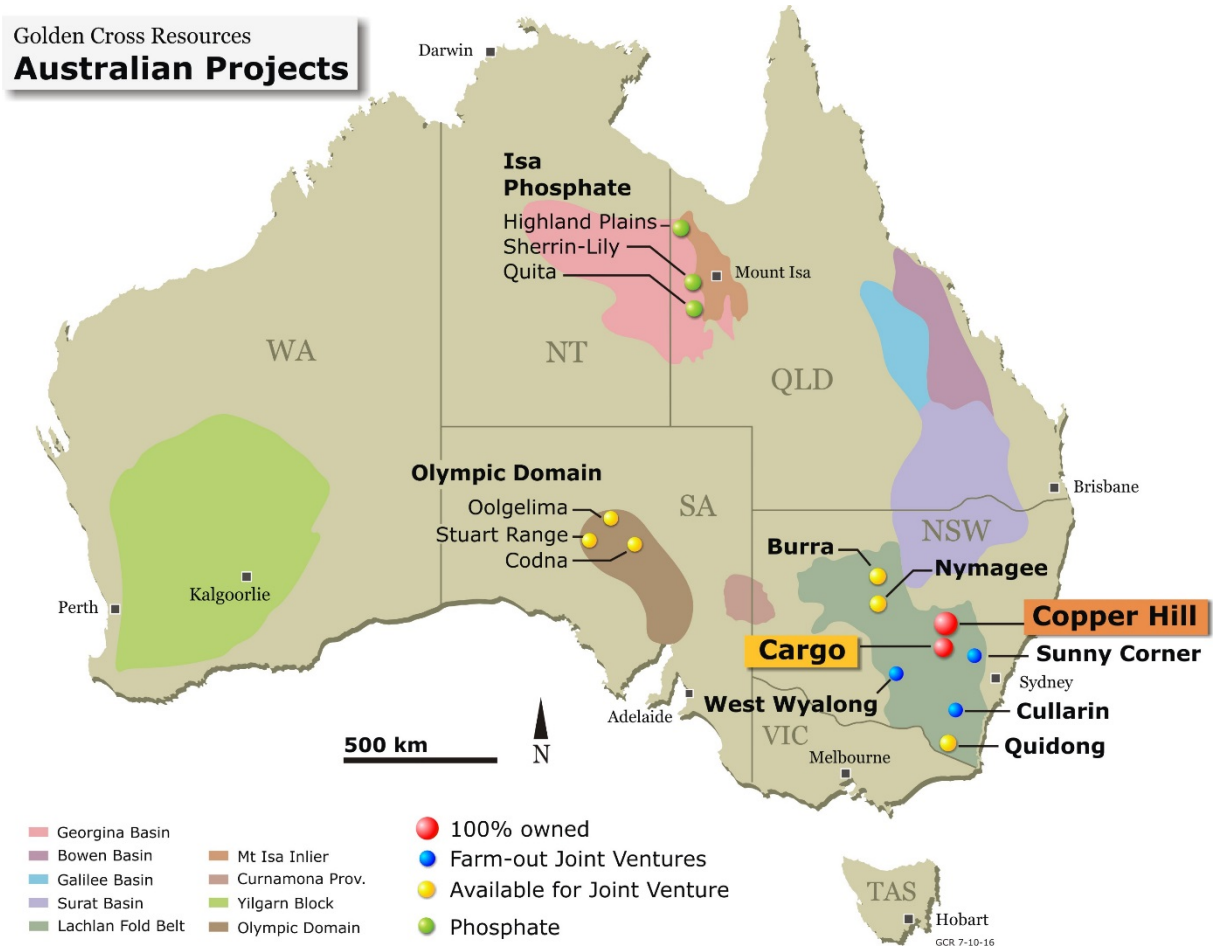


***Figure 1: Golden Cross Project Locations & Status***

The core projects are located in Central West NSW at Copper Hill near Molong, 35 kilometres north of Orange, and at Cargo 40 kilometres southwest of Orange (**Figure 2)**.

The Ordovician-aged Macquarie Arc consists of several volcanic belts which host the world-class porphyry copper-gold deposits currently being mined at Cadia (Newcrest), Northparkes (China Molybdenum) and Cowal (Evolution). The Molong Volcanic Belt hosts significant porphyry gold-copper deposits at Cadia Quarry, Cadia East, Ridgeway (Newcrest), Cargo (GCR) and Copper Hill (GCR), and skarn gold ± copper deposits at Browns Creek and Junction Reefs. Porphyry copper-gold deposits in the Copper Hill area occur close to the corridor formed by the interpreted WNW trending Lachlan Transverse Zone (LTZ).

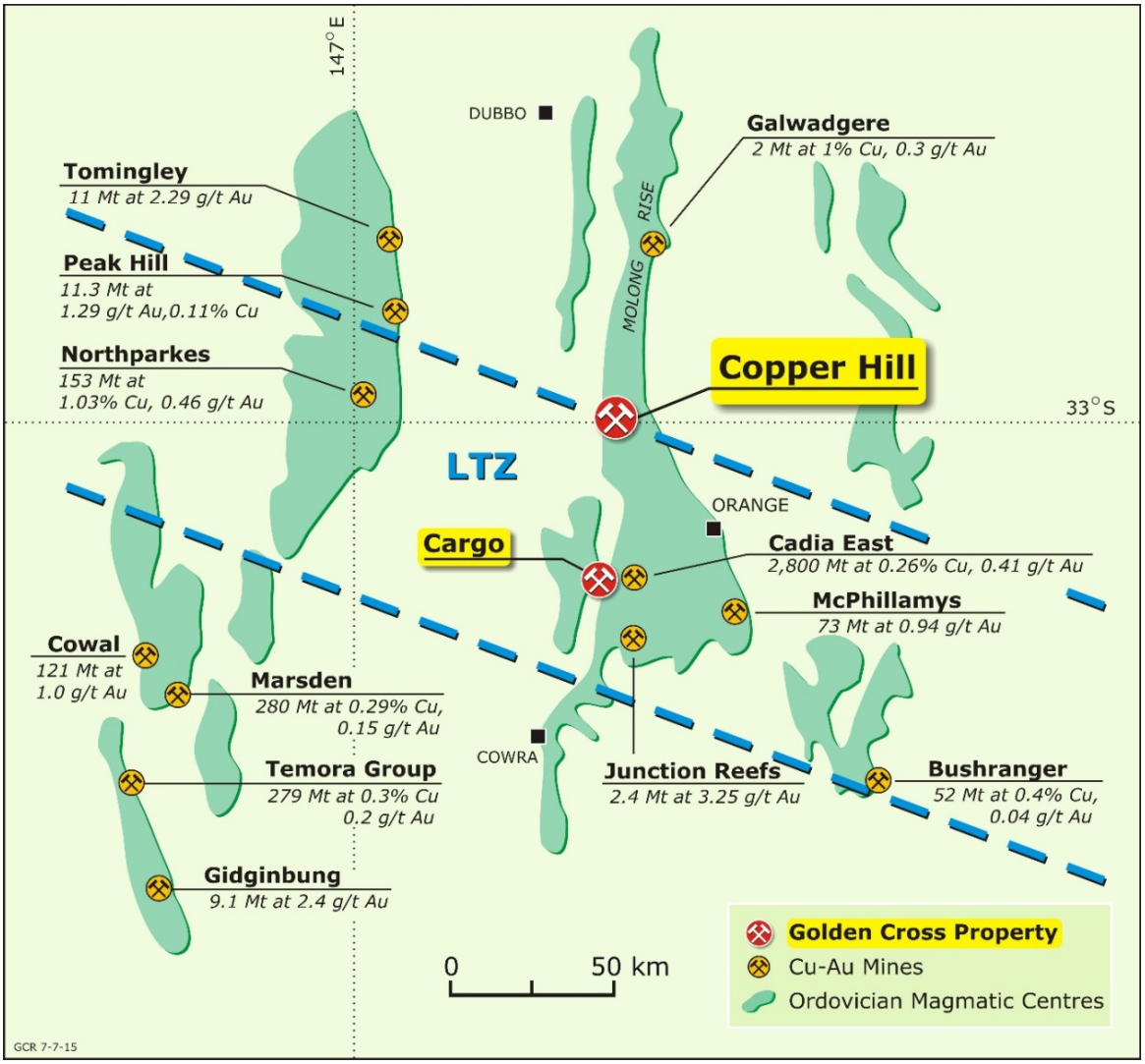


***Figure 2: Regional setting of Copper Hill***

## Molong Project - Copper Hill
### (100% GCR: Copper-Gold-Molybdenum)

Porphyry copper-gold mineralisation at Copper Hill is hosted by Ordovician aged rocks formed in an ancient island arc setting similar to porphyry copper-gold deposits of the Western Pacific. The Copper Hill Intrusive Complex consists of diorite porphyry and multiphase tonalite porphyry intrusions and associated Fairbridge Volcanics (**Figure 2**). Younger Silurian to Early Devonian sedimentary rocks (sandstone and limestone) occur west of Copper Hill, and to the east the prospective intrusives and volcanics are overlain by flat-lying Tertiary Basalt.

Copper Hill is within a 5 kilometre long corridor extending from Little Copper Hill in the north to Vale Head in the south. Limited previous drilling at other prospects in the trend suggests potential for discovery of further economic mineralisation.

Understanding of the internal architecture of the mineralised zones at Copper Hill was substantially improved by quality structural data from oriented 2014 core. The structural data support a strong grid northwest internal orientation of the mineralised zones within their overall grid north-south trend. The interaction of these structures is reflected in updated resource modelling geometry (**Figure 2**)

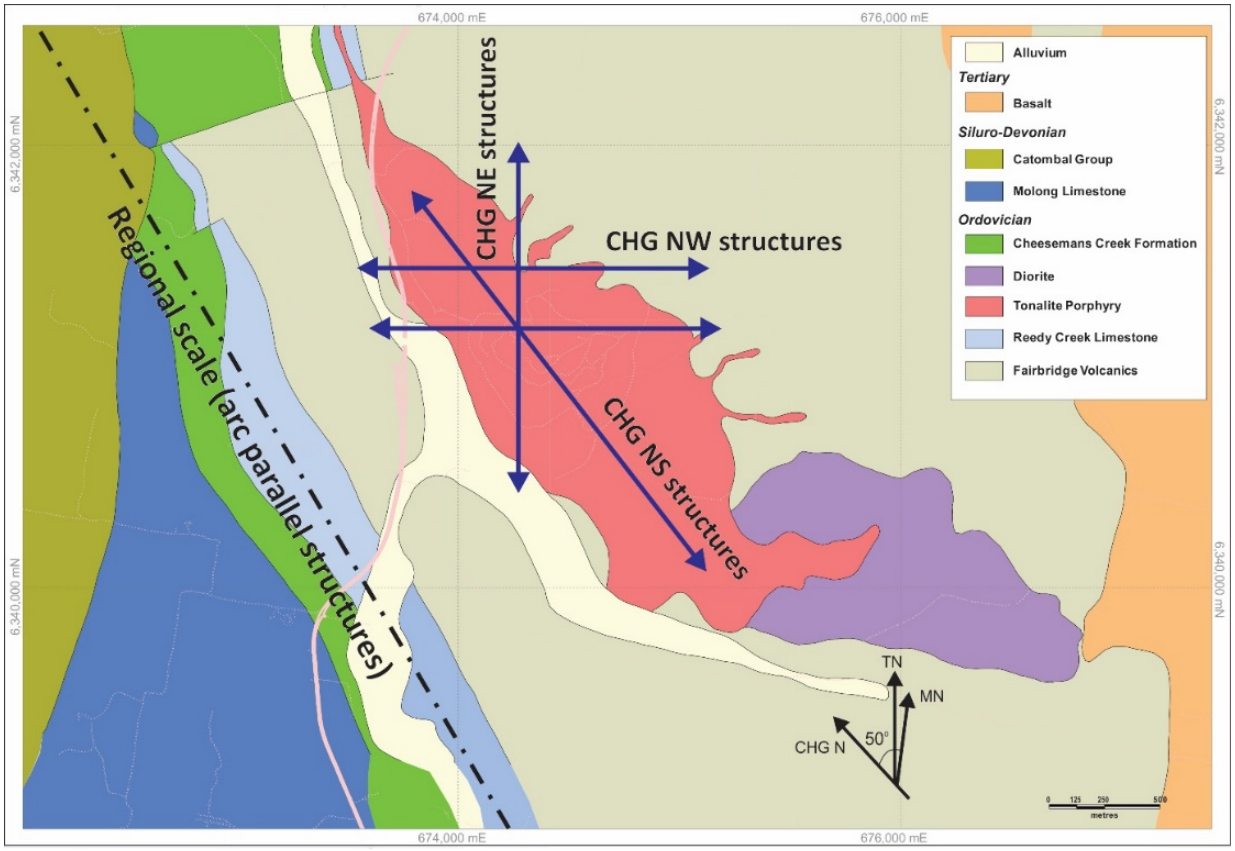


***Figure 2: Copper Hill: Local Geology Map showing identified key structural orientations***

Following the 2014 drilling program, an updated resource estimate at a range of copper cut-off grades was undertaken by independent resource consultant James Ridley, which was announced to ASX on 24 March 2015. There are no new data or changes to assumptions from that date.

***Table 1: Mineral Resources at Copper Hill***

| Resource Category | Cutoff (Cu%) | Volume (Mm3) | Tonnes (Mt) | Density (t/m3) | Grades | | Metal | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Cu % | Au (g/t) | Cu (t) | Au (oz) |
| Indicated | 0.20 | 18 | 47 | 2.6 | 0.40 | 0.39 | 190,000 | 590,000 |
| | 0.30 | 10 | 27 | 2.6 | 0.52 | 0.52 | 140,000 | 460,000 |
| | 0.40 | 7.2 | 19 | 2.6 | 0.59 | 0.62 | 110,000 | 380,000 |
| | 0.50 | 4.4 | 11 | 2.6 | 0.68 | 0.74 | 78,000 | 270,000 |
| Inferred | 0.20 | 15 | 39 | 2.6 | 0.32 | 0.24 | 130,000 | 300,000 |
| | 0.30 | 6.1 | 16 | 2.6 | 0.44 | 0.30 | 71,000 | 150,000 |
| | 0.40 | 3.5 | 9.2 | 2.6 | 0.51 | 0.35 | 47,000 | 100,000 |
| | 0.50 | 1.5 | 4.0 | 2.6 | 0.59 | 0.37 | 24,000 | 48,000 |
| Indicated + Inferred | 0.20 | 33 | 87 | 2.6 | 0.36 | 0.32 | 310,000 | 890,000 |
| | 0.30 | 17 | 44 | 2.6 | 0.49 | 0.44 | 210,000 | 610,000 |
| | 0.40 | 11 | 28 | 2.6 | 0.56 | 0.53 | 160,000 | 480,000 |
| | 0.50 | 5.9 | 15 | 2.6 | 0.66 | 0.64 | 100,000 | 320,000 |

***Extracted from 2015 updated resource estimate reported to ASX on 24 March 2015***
***Note: all volume, tonnage, density, grade and metal figures are rounded to 2 significant figures***

The higher grade resources totalling 28Mt at 0.56% copper and 0.53g/t gold defined by 0.4% copper cut-off were targeted for further evaluation following the 2014 drilling and subsequent resource modelling.

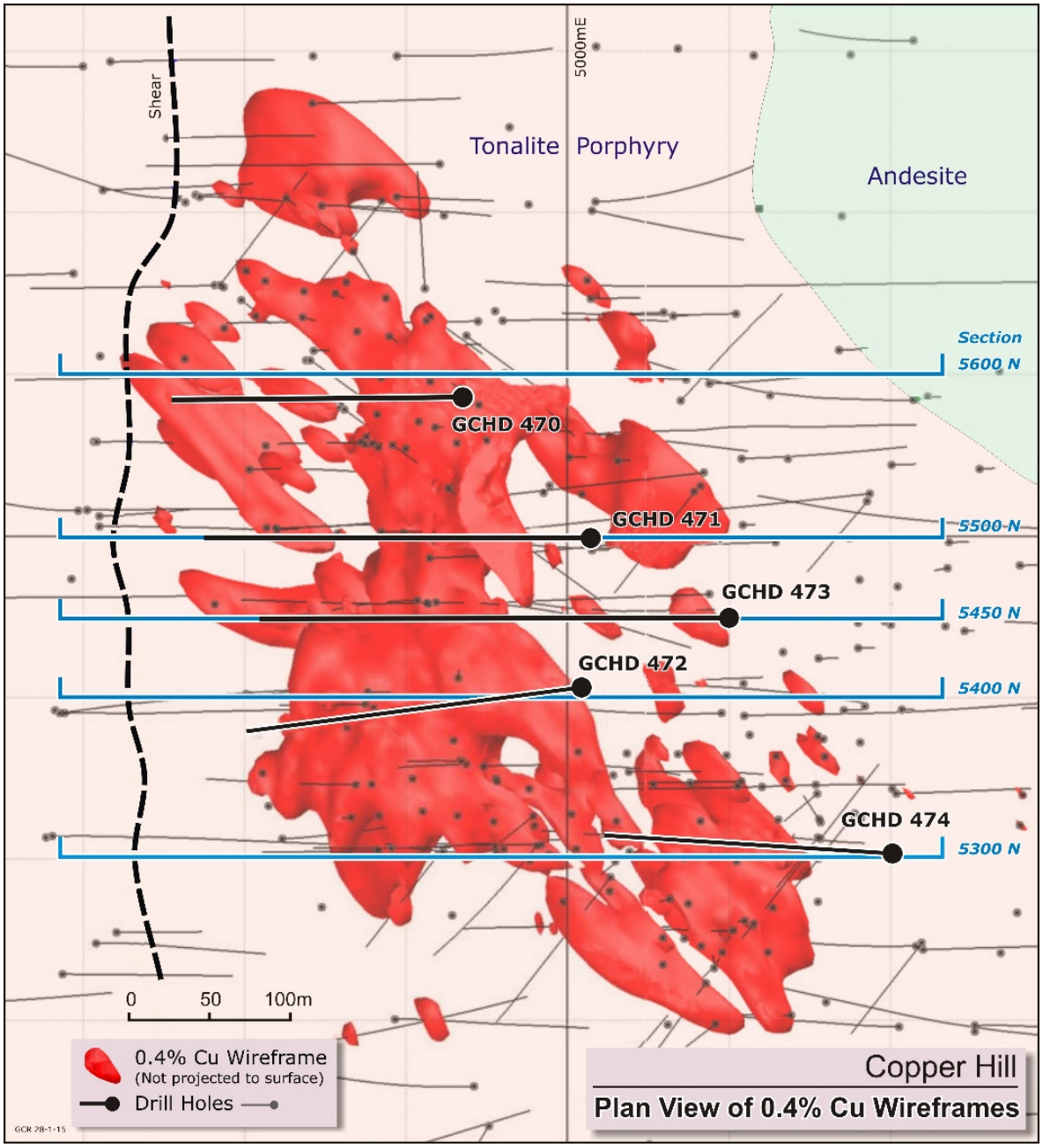


***Figure 4: Copper Hill Central: Plan View of 0.4% Copper Wireframes modeled using Leapfrog©, showing 2014 drill holes and strong NS and NW* structural fabrics***

A revised Copper Hill Scoping Study was completed in 2015, based on the higher grade Central Area defined by 0.4% copper cut-off (refer ASX announcement dated 15 April 2015). The study assessed the viability of a 2-3Mtpa mining and processing operation at Copper Hill treating the higher grade, metallurgically better performing mineralisation.

It should be noted that the production target of 2-3Mtpa was based on Indicated Mineral Resources (67%) and Inferred Mineral Resources (33%), and there is a low level of geological confidence associated with Inferred Mineral Resources. The assumptions underlying the production target are detailed in the announcement to ASX dated 15 April 2015. There are no new data or changes to assumptions since that date.

With the positive outcome of the April 2015 Scoping Study, the Board resolved to move to a Pre-Feasibility Study (PFS), subject to funding. Work plans were developed to facilitate a PFS of a 2Mtpa to 3Mtpa development at Copper Hill.

Anticipated timeframe was 9 months from commencement at a cost up to $2.9 million.

The components of the PFS are:

- infill drilling to upgrade resources and better define and extend the higher grade mineralisation
- metallurgical testwork to determine optimal conditions for metal recoveries and assess pre-concentration opportunities,
- updated resource model
- mining studies
- optimisation of process plant flowchart and associated infrastructure
- environmental studies
- hydrological studies
- progress project tenements and approvals
- revised capital and operating cost estimates
- product marketing studies
- updated financial modelling.

During the year to 30 June 2016 preliminary work on components of the PFS was undertaken. Government site approvals were obtained for initial follow up drilling to test continuity of the high grade result in GCHR470 (11-71m = 60m @ 1.83%Cu, 5.41 gpt Au using a 0.4% Cu cut-off – full details are included in ASX announcement dated 25 August 2014). Commencement of drilling was postponed while funding issues were resolved.

Further metallurgical testwork commenced and the initial non-optimised flotation test announced on 10 December 2015 produced rougher concentrate delivering recoveries of 90% for copper and 71% for gold which was an improved copper result compared with the historical recoveries applied in the April 2015 Copper Hill Scoping Study which averaged 82% for copper and 67% for gold. Subsequent metallurgical testing across a range of material types and ore grades produced results that were generally comparable with the scoping study figures for copper but more variable for gold. Further optimisation of parameters (eg. grinding and reagents) is required to establish consistent outcomes that can be used in the proposed PFS.

**Mineralisation**

Mineralisation at Copper Hill is typical of many porphyry systems throughout the world, being associated with multiple mineralising events which overlap in time and space. The key features of the mineralised systems are:

- Multiple phases: at least six separate events have been recognised, five primary and one later weathering event. The main mineralising events are Stages 1 – 3;
- Higher copper and gold grades are generally associated with areas of greater veining intensity;
- Within the overall grid** north-south trending mineralised envelope there is a strong grid northwest structural orientation with a more subtle, northeast fracture set (**Figure 2**) *(** Note: all directions reference Copper Hill grid which is rotated 50 degrees west of Magnetic North ie. 310 degrees Magnetic);*
- Structures are generally defined by quartz-pyrite dominated veins and fractures. Copper and gold mineralisation generally occurs as later stage chalcopyrite-pyrite veins within these earlier quartz veins and fractures, with

significant disseminated-style mineralisation also present in tonalite porphyry wall-rock;

- Higher grade mineralised zones are focused in the areas of greatest fracture intensity and veining, especially at the intersection of north-south and north-west trending structures. Lower grade ore is generally typified by weaker veined and/or disseminated-style mineralisation;
- Higher gold to copper ratios within the central high grade zone; Au:Cu generally around 3:1 (ie 3g/t Au : 1% Cu) compared with an overall deposit ratio of 1:1 (eg.0.3 g/t Au : 0.3% Cu);
- A close association between a strongly quartz veined microtonalite porphyry intrusive phase intruding the wall-rock crowded tonalite porphyry is evident in several of the holes; and
- A sub-horizontal 10-20 metres thick zone of higher grades centred in the (supergene) zone transitional to fresh rock 25-70 metres below surface.

## Exploration Potential – Copper Hill

Several areas have been identified with potential for resource expansion and discovery.

Copper-gold mineralisation at Copper Hill, as drilled to date, consists of 310,000t of contained copper and 890,000oz of contained gold at a 0.2% copper cut-off (refer Table 2) hosted in a crowded tonalite porphyry wall-rock. Two distinct styles of wall-rock mineralisation styles are recognised, associated with multiple porphyry intrusive phases at depth:

1. The earliest mineralised phase is related to sericite-pyrite-quartz “phyllic” alteration and has a distinctive distal relationship (away from the source porphyry intrusive), hosting chalcopyrite mineralisation with a molybdenum-rhenium-zinc association.

2. The later stage overprinting mineralisation has distinctive and intense quartz (-magnetite) “potassic” alteration and sheeted veins, being a proximal association (close to the source porphyry intrusive), hosting chalcopyrite-bornite mineralisation with high gold.

The porphyry intrusive responsible for the later stage high-grade “potassic” wall-rock gold-copper mineralisation is interpreted to be younger and deeper and is yet to be intersected in drill holes. It provides discovery potential at depth below Copper Hill and Wattle Hill (the target being high grade “pipes” of the style being mined at Ridgeway and Northparkes).

Drilling on section 6150N below Buckleys Hill confirms the presence of an early phase wall-rock porphyry style copper-gold mineralised system. A nearby drill hole (GCHR190) on section 5900N also intersected copper-gold mineralisation associated with porphyry-style stockwork quartz-magnetite veins with chalcopyrite. Discovery potential for high-grade gold-copper porphyry mineralisation similar to that intersected in GCHD470 exists at depth between 5900-6150N and extends south to below Copper Hill (**Figure 5).**

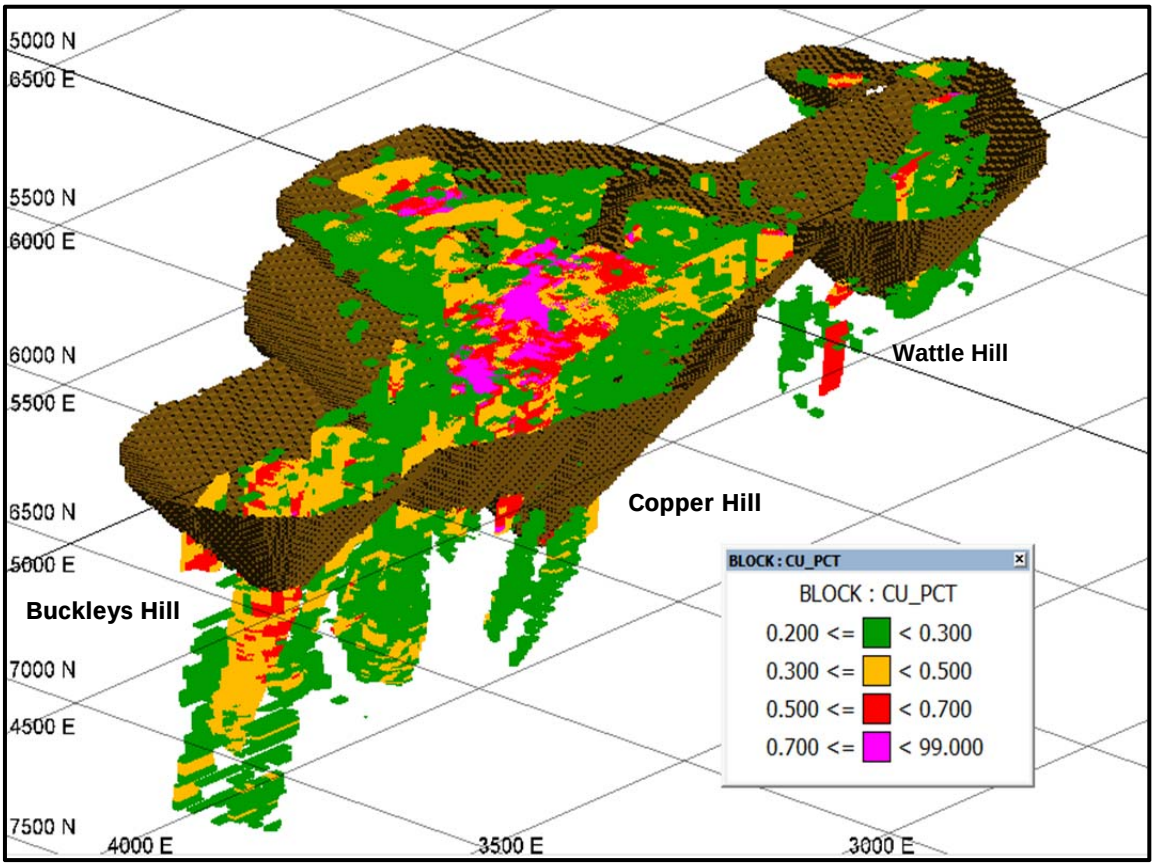


***Figure 5: Copper Hill: Bloc distribution showing depth potential***

## Cargo
**(100% GCR:- Gold-Copper)**

Cargo is 15 kilometres west of the Cadia Valley gold-copper deposits being mined by Newcrest. Exploration at Cargo in recent years has evaluated three of approximately 19 lode systems that occur around a central porphyry that hosts low-grade copper mineralisation.

A gold resource was estimated at Spur-Dalcoath (**Figure 6**) in May 2012 by H & S Consultants (refer to ASX announcement 21 May 2012) using a range of gold cut-offs and compliant with JORC 2004 guidelines. At a higher 0.8 g/t gold cut-off, the Inferred Resource was 4.0Mt grading 1.19 g/t gold containing 154,000 ounces of gold. The estimation parameters excluded some intercepts of higher grade gold due to low quality historical drilling. These intercepts have potential to add significantly to contained ounces once they are confirmed by further drilling.

Scope remains at the other lodes to outline resources of similar size and grade to Spur-Dalcoath, which may then aggregate into a viable project.

Further drilling is planned to test for extensions of known lodes and clarify structural controls for further targeting. Several areas remain untested by drilling and ongoing geophysical and geochemical surveys are planned to refine these peripheral targets.

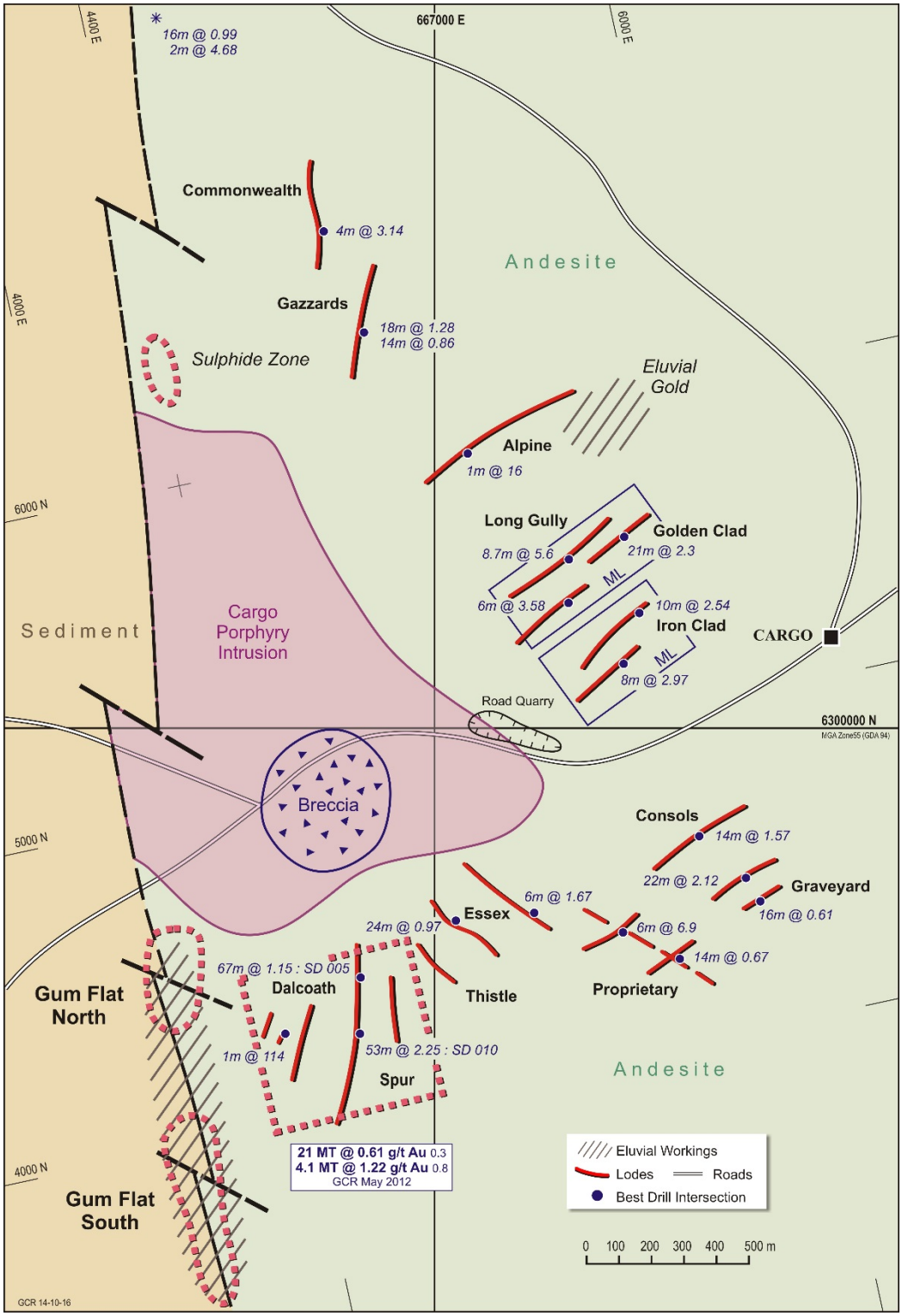


***Figure 6: Cargo Lode Systems and Central Porphyry***
***Showing best drill intercepts on each lode system***

Geological consultant Corbett, Menzies, Cunliffe Pty Ltd (CMC) has conducted annual field teaching courses at Cargo in recent years and observed mineralogical associations (for example, actinolite) similar to those observed on the margins of porphyry gold-copper systems at Wafi-Golpu PNG, and at Cadia-Ridgeway. CMC subsequently undertook systematic mineralogical identification work on existing drill core to establish vectors to potential deeper porphyry mineralisation below the low-grade copper zones intersected to date. A government rebate of drilling costs to test the CMC concept has been offered under the NSW Government's New Frontiers Co-operative Drilling Project Round 2.

## OTHER PROJECTS

GCR has a diversity of projects outside the Copper Hill and Cargo Projects reflecting its history of active exploration, mainly in New South Wales. During the year the Broken Hill and Wagga Tank Joint Venture licences were sold, and several tenements in the Cobar Region were not renewed.

## South Australia – Gawler Craton IOCG
**(100% GCR: Copper-Gold-Rare Earths)**

GCR retains three exploration licences covering 1,133 $km^2$ within the northern Gawler Craton of South Australia near Coober Pedy (

**Figure 7**).The tenements contain coincident gravity-magnetic anomalies potentially reflecting the presence of Iron Oxide Copper Gold (IOCG) deposits that have similarities with Prominent Hill/Carrapateena. Accordingly, the exploration target is an IOCG deposit up to 150 million tonnes with grades up to 1.5% copper and/or 1.5g/t gold, based on similar geophysical signatures.

Gawler Craton IOCG deposits are characterised by extensive hematite-magnetite (iron) alteration and brecciation, and typically comprise disseminated to massive chalcopyrite, chalcocite and bornite copper mineralisation with associated gold and rare earths.

Carrapateena and Prominent Hill were discovered by drilling coincident magnetic and gravity anomalies comparable with those defined by GCR. Ongoing field work and advanced geophysical modelling utilising new and infill gravity survey data defined high quality anomalies and provided data for improved drill targeting.

Three of the anomalies were targeted by a first pass program of three drill holes in 2013. Encouraging results came from hole SRE001 at the SR11 anomaly in the Coober Pedy Rise Domain. Basement was intersected at the relatively shallow depth of 75 metres. SRE001 returned two zones of elevated copper, peaking at 1,320 and 1,710 ppm copper.

The presence of magnetite-biotite and hematite-sericite alteration suggests the impact of the Hiltaba-Gawler Range Volcanics magmatic event.

Land access approvals are in place for drill sites in EL5594 Oolgelima, and a follow-up program of three further holes has qualified for a drilling rebate from the South Australian Government under the PACE 2015 Drilling Program. The region is the subject of several government research initiatives which promise to advance knowledge of the subsurface geology.

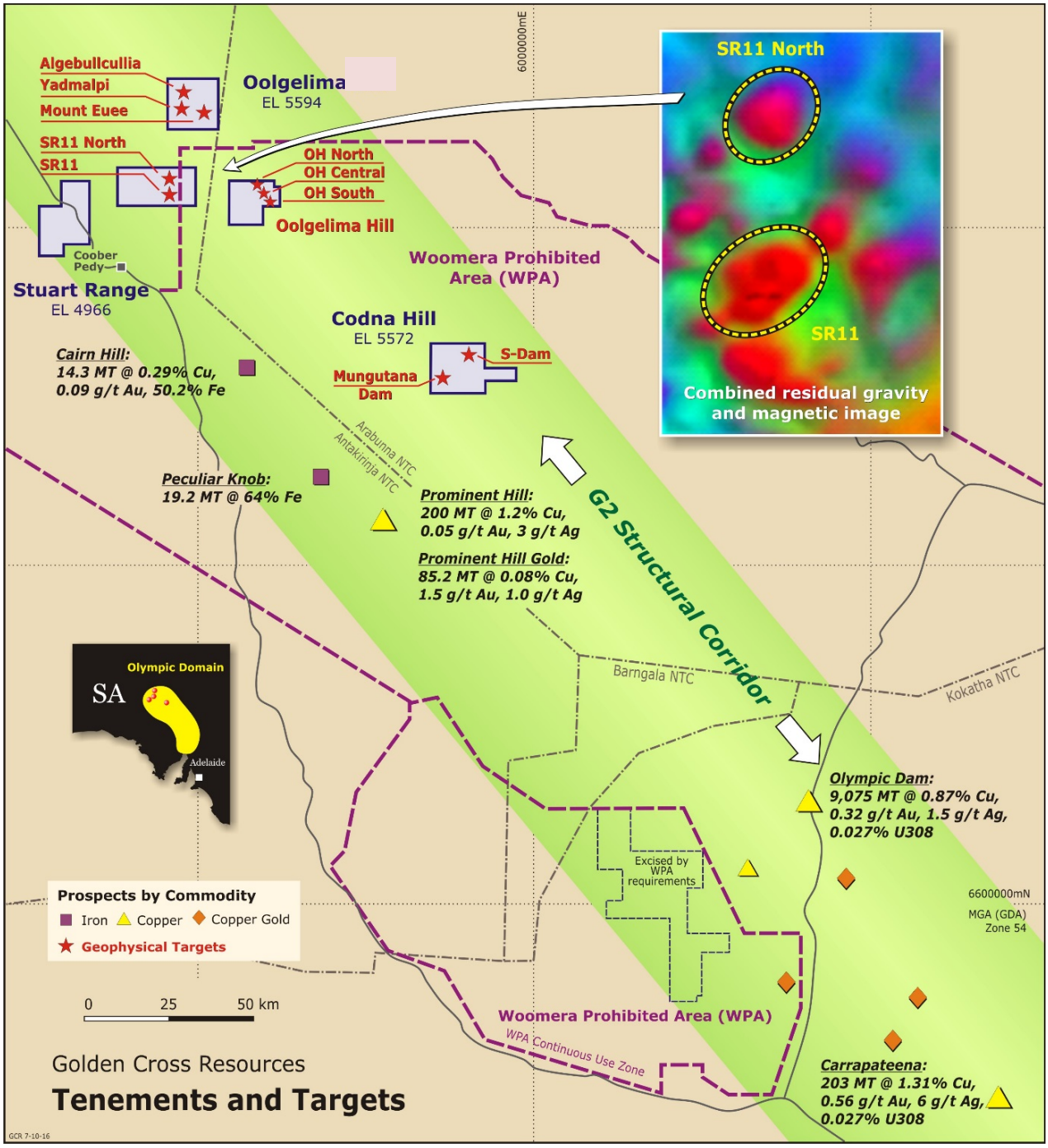


***Figure 7: South Australia tenements and targets***

## Cobar Region– Nymagee Region Projects New South Wales
**(100% GCR: Copper-Gold-Lead-Zinc)**

Prospectivity of the region is underlined by long-life mining operations centred on Cobar and at Tritton. In the Nymagee Sub-region deposits such as Hera, extensions to the historic Nymagee Copper Mine, and discovery of the Mallee Bull deposit in May 2012 (**Figure 8**) continue to demonstrate mineral development potential.

Extensive areas of airborne electro-magnetic (EM) have been flown by all explorers including GCR, and the technique is credited with initial discovery of Mallee Bull. However, surficial effects mask conductivity responses from much of the bedrock mineralisation, and surface geophysics coupled with drilling below the ~90m deep zone of geochemical depletion is generally required to test targets.

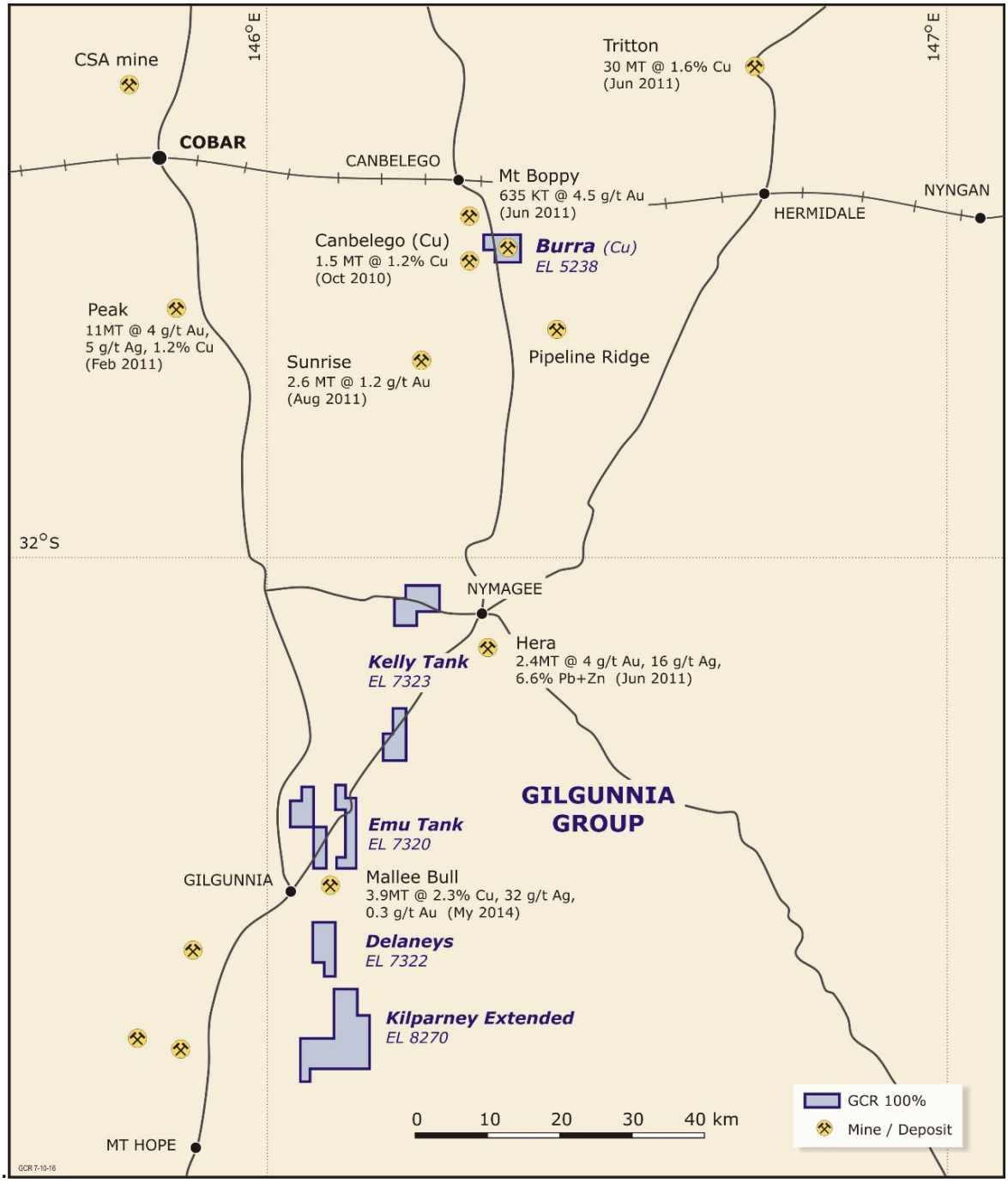


***Figure 8: Cobar Region tenements***

## Canbelego Sub-Region – Burra

Within EL7389 three prospects, Burra Copper Mine, Block 51 and B51SE, have known base metal mineralisation coincident with magnetic and EM anomalies and elevated copper-in-soil geochemistry. Copper and lead-zinc mineralisation with gold/silver credits have been intersected in most of the reverse circulation (RC) percussion and core holes drilled to date. Copper intercepts were summarised in the 2015 Annual Report.

During the year exploration focus moved eastwards away from the Burra Trend to the Geweroo Trend, where elevated soil geochemistry for copper, lead, zinc and gold coincides with an IP chargeability high in historical exploration. Re-evaluation of the 2010 VTEM data by consultants identified a VTEM feature along the Geweroo Trend **Figure 9**.

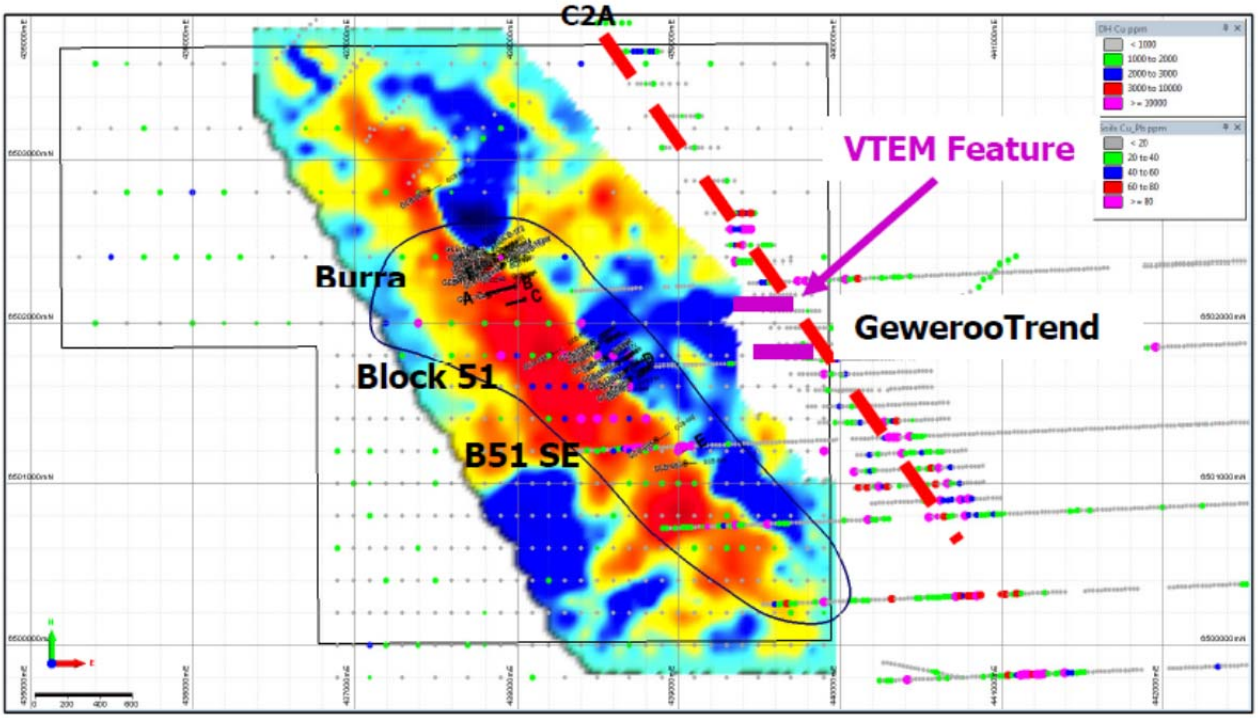


***Figure 9: Burra Prospects, from NW to SE, Burra Mine, Block 51 and B51SE***
***plotted on new gravity data with soil copper values. Geweroo trend in red dashed line***

## Nymagee-Gilgunnia Sub-Region

Interest in the region is driven by discovery of the Mallee Bull copper deposit in 2012, and extensions to the Hera and Nymagee polymetallic deposits.

GCR's exploration focus has moved away from the original concepts focused on a favourable stratigraphic horizon in the southern parts of the Rast Basin in favour of areas within the interpreted Wagga Tank Nymagee Structural Corridor which hosts most of the known significant mineral occurrences (**Figure 10).**

Several tenements were relinquished during the year and the remaining Gilgunnia Group have renewals pending that have been delayed by changed procedures in the NSW Department of Industry (Division of Resources & Energy).

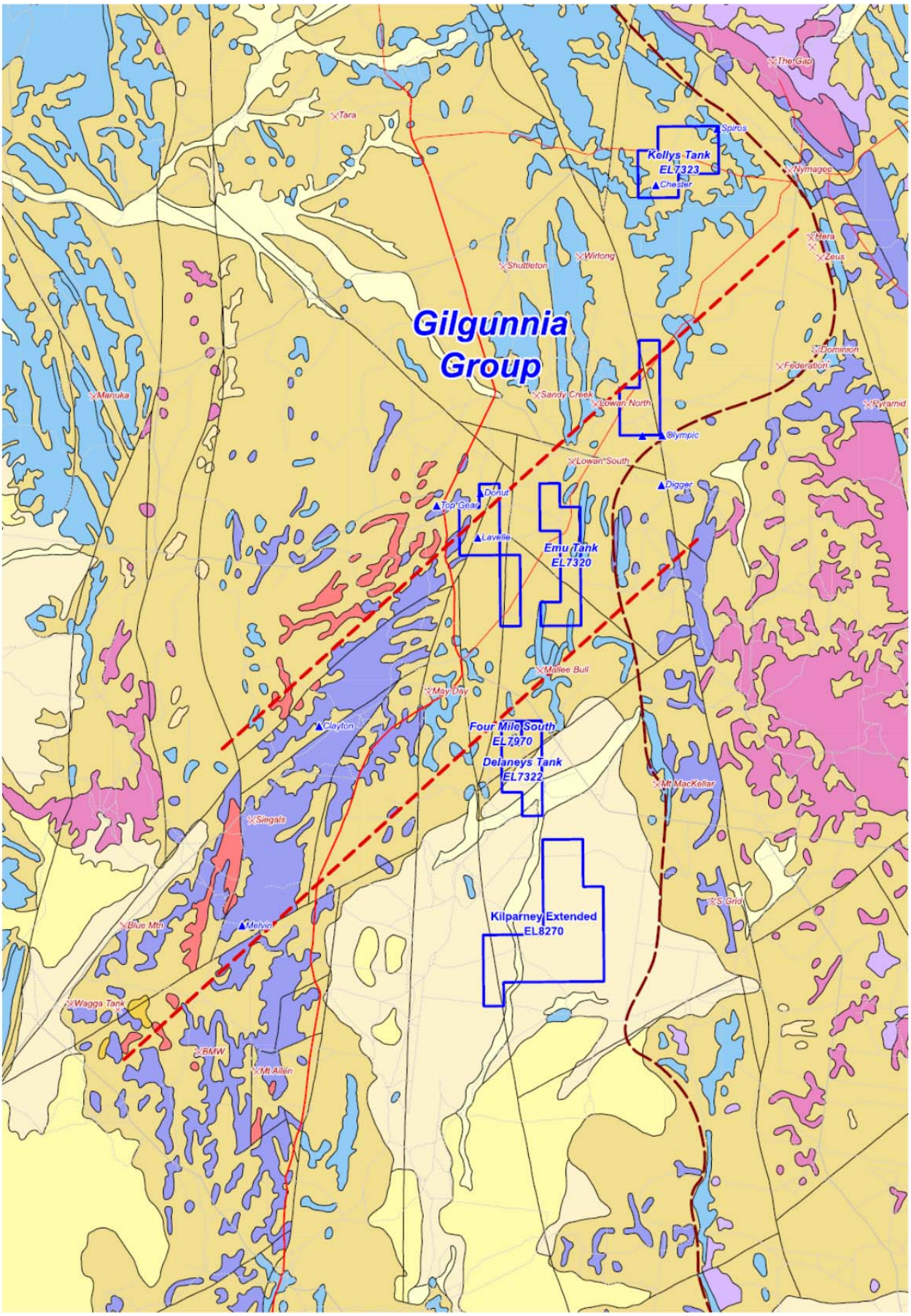


***Figure 10: Wagga Tank JV – Gilgunnia Group tenements on regional geology***
***highlighting the Wagga Tank-Nymagee structural corridor (red), and Favourable Stratigraphic Horizon (brown).***

## Quidong Base Metal Project
**(Copper-Gold-Zinc-Lead 100% GCR)**

The south-eastern NSW region has a strong zinc and gold association at Quidong and Bendoc, 20 kilometres south, and is in a tectonic belt that contains the Woodlawn, Captain's Flat, Jerangle, Peak View and Benambra volcanic-hosted massive sulphide occurrences. Occurrences of gold in the region also support potential for intrusive related gold deposits**. (Figure 11)**

At Quidong, mineralisation occurs in structurally controlled and pyritic sediment-hosted occurrences in a carbonate dominated basin sequence. Analogues have been proposed with volcanic hosted massive sulphide deposits (VHMS), Irish-type carbonate-hosted lead-zinc deposits, and Carlin and Sepon-style gold deposits.

Occurrences of zinc-lead-silver-barite, copper and gold are widespread and evidenced by high levels of surface geochemical anomalism and numerous economic and sub-economic drill intersections located around the edges of the basin. The basin has been targeted by modern exploration since the 1950s. However, large areas of the central basin, where the host stratigraphic horizons can be expected to occur at moderate depths, remain under-explored.

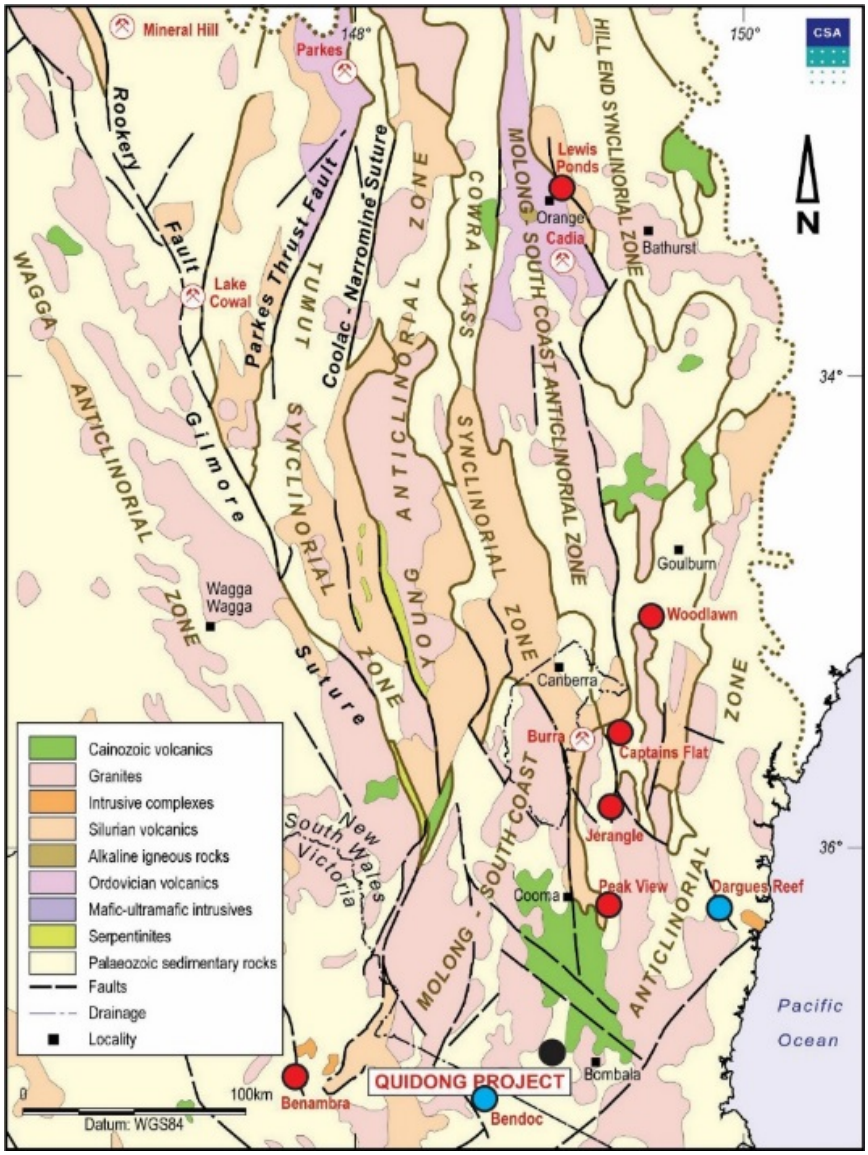


***Figure 11: Quidong Location, showing regional VHMS (red) and IRG (blue) occurrences***

Early exploration at Quidong established widespread elevated geochemical values over an area of 5 kilometres x 5 kilometres. Drilling by subsequent explorers returned intercepts of similar tenor, peaking with a thin (0.34m) massive sulphide interval at 228 metres downhole in Avon Resources' MQD-03, grading 22.87% zinc, 4.59% lead and 98.9ppm silver. MQD-03 was 70 metres south of the section in

**Figure 3.**

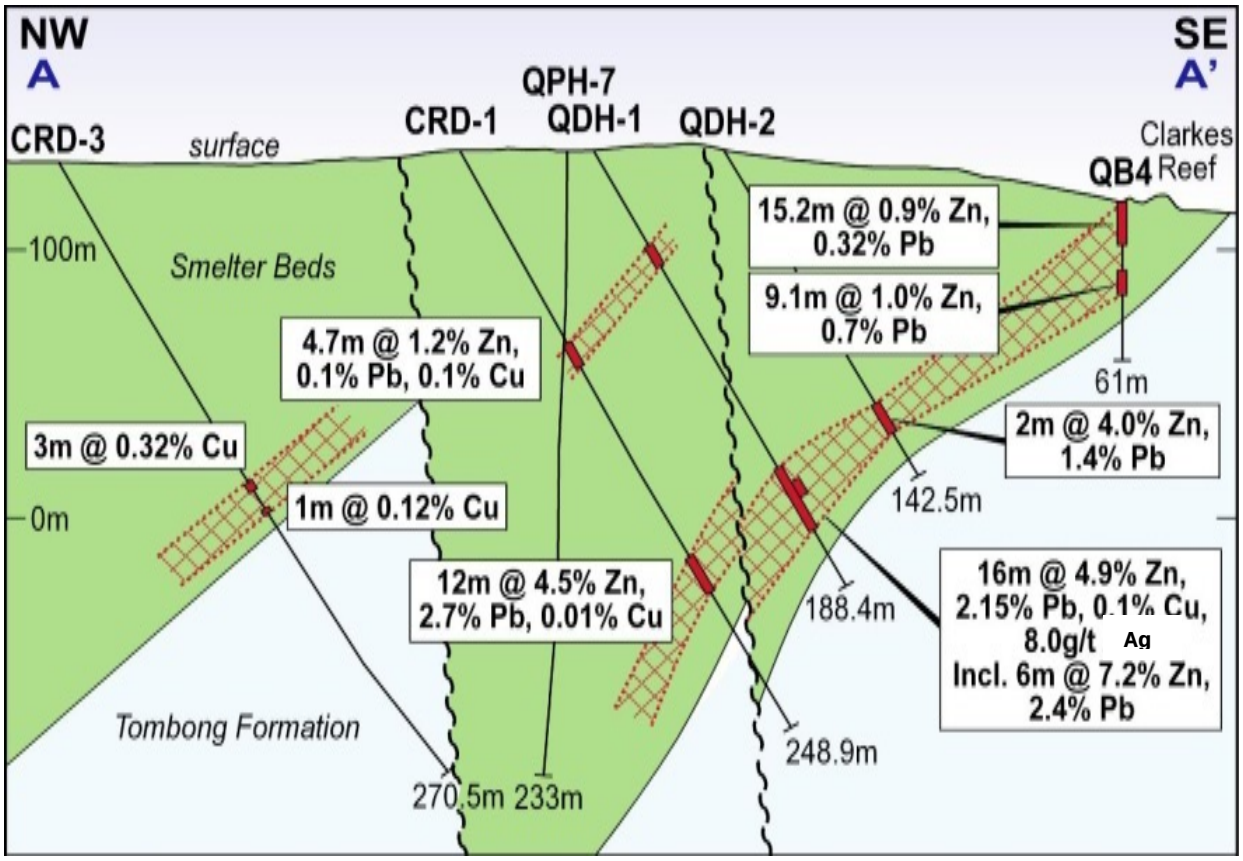


***Figure 3 Typical Section: historical drilling at Clarke's Reef, southeast Quidong Basin***

## GCR Panama Inc.
**(Copper-Gold 100% GCR-owned subsidiary – for sale)**

GCR Panama is a wholly-owned subsidiary of GCR and has ceased active exploration in the country following the cancellation of five of GCRP's six exploration licence applications within Panama's native title Comarca area, leaving only one application (El Cope) current.

GCRP presented an opportunity to acquire a Panama-based and registered exploration company with a prospective EL application and a very substantial geological, geochemical and geophysical data base covering much of Panama. However, due to uncertainty of tenure and low interest in acquisition of GCRP, GCR has continued moves to withdraw completely from Panama.

## Joint Ventures

Joint venture partners have continued to conduct exploration over other projects in the portfolio (**Figure 1**).

### West Wyalong Gold and Sunny Corner Base Metals, NSW

***with Argent Minerals Limited (51% and 70% respectively)***

Argent Minerals continues to explore the Sunny Corner massive sulphide project and the West Wyalong copper-gold project.

### Cullarin Base Metals, NSW

***with TriAusMin Limited (80%)***

TriAusMin (a 100% owned subsidiary of Heron Resources Ltd) continues to evaluate prospects in the Cullarin tenement.

### Mount Isa Phosphate, QLD

***with Paradise Phosphate Pty ltd (80%)***

Legend International Holdings Inc. subsidiary Paradise Phosphate Ltd (PPL) earned an 80% interest after expending $3 million in 2012. An IPO of PPL was withdrawn in 2012, and further work on the project remains subject to improved phosphate prices.

GCR is free-carried through to decision to mine, and retains rights to minerals apart from phosphate.

### Previously Released Information

This Annual Report contains information extracted from the following previously released reports which are available for viewing on the Company's website, www.goldencross.com.au:

- 21 May 2012 – "Inferred Resource at Cargo NSW"
- 24 March 2015 – "Copper Hill Resources Estimate"
- 15 April 2015 – "Copper Hill Scoping Study"
- 10 April 2015 – Encouraging Initial Metallurgical Results at Copper Hill
- 29 December 2015 – "Target's Statement" – includes Independent Valuation by GEOS Mining PL dated 23 December 2015

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcements, and in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant ASX announcements continue to apply and have not materially changed. 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.

# ROYALTIES

The Company holds the royalties listed below. It does not expect to receive any payments during the coming financial year.

| LOCATION | TENEMENT NAME | TENEMENT | $km^2$ | HOLDER | % HOLDING | ROYALTY TYPE |
|---|---|---|---|---|---|---|
| **Adelong (NSW)** | Adelong Gold Project | ML 1435, EL 5728, & EL 6372 | 198 | CML | Royalty | 1% gross up to 2,500 oz |
| **Wyoming One (NSW)** | McPhails | EL 5830 | 10 | ALK | Royalty | Up to 5% NSR |
| **BrightStar Alpha (WA)** | Merolia | Former E 38/970, incl M 38/968 | 25 | SHK | Royalty | 2% gross |
| **Mt Weld Area (WA)** | Mt Weld | Former E 39/636 | 20 | SHK | Royalty | 2% gross |
| **Broken Hill** | | E7390 | | IPL | Royalty | 1% gross |

ALK Alkane Resources Limited (ASX: ALK)
CML Challenger Mines Pty Limited, as assignee from Tasman Goldfields NSW Pty Limited
GCO Golden Cross Operations Pty Ltd, a wholly owned subsidiary of GCR
SHK Stone Resources Australia Limited (ASX: SHK), (formerly A1 Minerals Limited)
IPL Impact Minerals Limited (ASX:IPT)

**Adelong, NSW**
The Company holds a 1% gold production royalty, capped at 2,500 oz, over the Adelong Gold Project in NSW. In 2007 the Company sold Challenger Mines Pty Limited, which held the project, to Tasman Goldfields Limited. In 2010 Tasman Goldfields sold Challenger Mines to Macquarie Gold Limited and the royalty vested in Challenger Mines Pty Limited.

**Wyoming One, NSW**
Golden Cross Operations Pty Ltd holds a royalty of $0.75 per tonne for the first 0.5 Mt, then a 3% net smelter return (to 150,000 oz of gold production), of former EL 5830, held by Alkane Exploration Limited. EL 5830 contains the southern portion (mainly underground) of the Wyoming One gold resource, near the town of Tomingley, NSW. GCO's royalty interest is subject to a 10% free carried interest held by Metallic Resources Pty Ltd, so ten per cent of the royalty is payable to Metallic Resources Pty Ltd. Mining operations (pre-stripping) commenced at the Wyoming One open cut in 2015.

**BrightStar Alpha, WA**
The Company holds a 2% gross royalty over former E38/970 near Laverton. The area contains the southeastern part of the 2 km long BrightStar Alpha Area under exploration by A1 Minerals Limited. The area of former E38/970 includes M 38/968.

**Mt Weld Area, WA**
This 2% gross royalty relates to the former E39/636 near Laverton and was provided for in the same deed and on the same terms as the BrightStar Royalty.

**Broken Hill, NSW**
The Company holds a royalty o 1% of all products produced by IPT and its associates within E7390. IPT has the option to buy-out the royalty for $1.5million.

# DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Golden Cross Resources Ltd ("GCR") and the entities it controlled at the end of, or during, the year ended 30 June 2016.

**DIRECTORS AND COMPANY SECRETARIES**

The qualifications, experience, and special responsibilities of the Company's directors and the qualifications and experience of each company secretary in office during the financial year and until the date of this report, unless noted otherwise, are as follows:

| Director | Qualifications and Experience | Special Responsibilities |
|---|---|---|
| Jingmin Qian | Non-executive Director from 29 November 2010, interim chairman from 16 October 2014 till 16 December 2015 BEc, MBA, CFA, FAICD. Over 20 years' experience in strategy, finance and management. Director of Jing Meridian and CFA Society of Sydney, Australia China Business Council and a Council Member of Macquarie University Council. Previously held senior management roles in Leighton Holdings, Boral Limited and L.E.K. Consulting in Australia, and MOFTEC (Currently Ministry of Commerce) in China. CFA Charterholder and Fellow of Australian Institution of Company Directors | Interim Chairman<br>Appointed 23 October 2014<br>Chairman of the Audit Committee. Chairman of the Remuneration and Nomination Committee<br>Resigned 16 December 2015 |
| Ken Hellsten | Mr Hellsten has held broad-ranging senior executive positions in the resources sector with both large multi-national and smaller companies including BHPBilliton, Centaur Mining, Polaris Mining and Golden Cross Resources. During his executive career he has been responsible for the acquisition and/or resource definition at several gold and nickel projects including Union Reefs, Tanami, Mt Pleasant (Quarters), Cawse and Ravensthorpe projects.<br><br>Over the past 30 years Ken has worked almost exclusively in lead roles on resources projects and operations including Union Reefs, Mt Pleasant Gold Operations, Cawse and Ravensthorpe Nickel Projects, Yilgarn Iron Ore Project and Opaban iron ore project in Peru. Since 2006 Ken has operated as a consultant and/or director to a wide range of resources and investment groups and held the role of Managing Director with a number of resource companies. He was Interim CEO from December 2015 till November 2015. He is currently a Non-executive Director for Brierty Limited, a civil and mining contractor with annual turnover of more than $200 million. | Resigned as CEO 23 November 2015<br>Appointed as Director and Chairman 22 July 2016.<br>Member of the Remuneration Committee, member of the Nomination and Audit Committee |
| Ian Buchhorn | Non-executive Director from March 2014 till July 2016. Mineral Economist and Geologist with 40 years mineral industry experience since graduating with Honours from Adelaide University in 1974. Prior to listing Heron Resources in 1996 as founding Managing Director, worked with Anglo American Corporation in southern Africa, and Comalco, Shell/Billiton and Elders Resources in Australia, as well as setting up and managing Australia's first specialist mining grade control consultancy. Worked on feasibility studies, bauxite and industrial mineral mining and exploration, gold and base metal project generation, and in corporate evaluations. For the last 20 years, has acquired and developed mining projects throughout the Eastern Goldfields of Western Australia and operated as a Registered Mine Manager. | Member of the Remuneration and Nomination Committee and Audit Committee since 13 March 2014<br>Ceased 13 July 2016 |
| Xiaoming Li | Non-executive Director since 13 January 2009. Over 20 years of experience in mining investment and operation. Successfully invested in several significant iron, copper, zinc, and lead mines in Mongolia, Kazakhstan, Chile, Philippines, Cambodia, and China. Chairman of China United Mining Investment Co., Ltd (CUMIC), Qinglong (International) Group, and Hong Kong Lungming Investment Ltd. | |
| Yuanheng Wang | Non-executive Director since 28 November 2014. LLB, postgraduate certificate in laws. Solicitor of Hong Kong since 1993. Currently, consultant solicitor of Messrs. W.H. Chik & Co., Solicitors, Hong Kong and chief legal advisor to Lung Ming Mining Co., Ltd of Hong Kong. His area of legal work is mainly corporate and commercial, including corporate finance, project finance, general commercial and company matters. | Appointed 28 November 2014<br>Member of the Remuneration, Nomination and Audit Committee since 28 November 2014 |
| Yan Li | Alternate Director to his uncle Xiaoming Li since 5 July 2010. Executive MBA from the People's University of China. Director of Beijing Shiji Qinlong Hi-Tech Co. Ltd. | |
| Carl Hoyer | Company Secretary. Carl joined GCR part time in 2000 with over 25 years' accounting experience, he previously worked part time for Minteq Australia Pty Ltd up until 2007. Previously Carl was employed in various roles with CSR Limited from 1975 to 1997. | Appointed 10 August 2015 |
| Mark Sykes | Mark Sykes is an experienced Mining Engineer with a wealth of operations and business development experience, during a career of some 22 years. Mark's career includes time with BHP in an operational capacity and with Mitsubishi Development in a senior corporate investment role. Mark has exposure to a broad range of commodities including coal, uranium, iron ore, platinum group metals and other minerals. Mark has strong experience in areas of corporate and strategic development, transactional due diligence, operations, technical engineering and project management. | Appointed 22 October 2015 and Chairman from 17 December 2016<br>Resigned 1 August 2016 |
| Neil Fearis | Neil Fearis is a leading corporate and commercial lawyer in Western Australia specialising in mergers and acquisitions, capital raisings and corporate reconstructions, with a particular focus on the mining and resources sector. Prior to studying law, Neil spent several years engaged in mineral exploration in both Australia and southern Africa and as a result has a good understanding of the practical issues facing companies developing resource projects in remote locations. | Appointed 22 October 2015 |

| | | |
|---|---|---|
| | Neil is a member of a number of professional bodies associated with commerce and the law, including the Law Council of Australia, the Financial Services Institute of Australasia, and the Australian Institute of Company Directors. Mr Fearis is currently a director of Ausgold Limited and Jacka Resources. Mr Fearis previously held directorships with Tiger Resources Limited, Perseus Mining Limited and Cararvon Petroleum Limited. | |
| Rob Thomson | Mr Thomson, BE (Mining), MBA, F.AusIMM, is a Sydney based Director, former CEO and Engineer with 30+ years' experience setting-up, delivering and successfully commercialising investments in copper, gold and base metals projects, seven of which have transitioned from exploration, approvals, BFS, financing, construction to operations. This includes ED for Finders Resources Indonesia, Wetar copper project and as CEO Climax Mining Philippines, Didipio copper/gold porphyry concentrate project managing the approvals, BFS and early stage development followed by the $300 million merger into OceanaGold value-adding merger with Oceania Gold; He is experienced in the Orange/Western Districts mining area of NSW, containing the Company's Copper Hill and Cargo projects having been Project Manager for the BFS and first Resident Mine Manager for the Girilambone copper mine development. Mr Thomson is currently a director of One Asia Resources Limited. | Appointed 22 October 2015 Chairman of the Audit Committee since 30th June 2016 |

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year consisted of mineral exploration and development, with a focus on exploration for gold and base metals, principally copper.

**OBJECTIVES**

The Company's long-term objective is to participate in the discovery of one or more world-class mineral deposits. The short-term objective is to add value through exploration and development of mineral properties. Value may be added through identifying and acquiring mineral properties in prospective locations, generating drill targets through sampling and geological modelling, delineating resources, entering into beneficial farm-in arrangements with other companies, or developing projects through to production to provide cash flow.

The Company is assessing and progressing its Copper Hill and Cargo Projects, while carrying our exploration directly or through farm-out agreements and joint ventures elsewhere in Australia.

**DIVIDENDS**

The Directors' report that during the year ended 30 June 2016, no dividends were declared or paid. The Directors of the Company do not recommend the payment of a dividend in respect of the financial year.

## OPERATING AND FINANCIAL REVIEW

The most significant developments in the Company's operations and financing activities were:

1. Copper Hill – continued focus on progressing components of the 2015 Copper Hill Scoping Study.
2. Cargo – mineralogical modelling leading to development of a deep porphyry target, and application for drilling grant. Progressing opportunities to increase gold resources.
3. South Australia – government drilling grant of $60,000 pending initiation of the programs.
4. Three active farm-ins and joint ventures on GCR properties were in place at year-end, as follows:-
   - West Wyalong – copper-gold, with Argent Minerals Limited.
   - Sunny Corner – base metals, with Argent Minerals Limited;
   - Cullarin – base metals and gold, with Heron Resources Limited;

During the year joint ventures at Broken Hill, Wagga Tank and the Royalty at Mt Boppy were divested.

Further details are set out in the Review of Operations in the Annual Report.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the consolidated entity.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

At the date of this report there are no matters that have arisen since 30 June 2016 that have significantly affected or may significantly affect the operations of the consolidated entity in future financial years, the results of operations in future financial years, or the state of affairs in future financial years of the consolidated entity, except as follows;

- Mr Ian Buchhorn ceased to be a director on 13 July 2016 and Mr Mark Sykes resigned as Chairman and a director on 1 August 2016. Kenneth John Hellsten was appointed as a director and Chairman on 22 July 2016.
- The Company entered into a loan agreement with controlling shareholder HQ Mining Resources Holdings Pty Ltd (HQM) on 4 August whereby HQM would provide $200,000 in two tranches from early August. The first tranche was received on 15 August with the remaining funds required by 14 September. On 16 September $10,000 was received and a further $40,000 was received on 29 September. $50,000 remains outstanding.
- As announced to ASX on 28 July 2016, on 13 July 2016 the Company's subsidiary KER became aware that a receiver manager had been appointed to its joint venture partner in the Mt Isa Phosphate Joint Venture. KER subsequently advised that a default had occurred under the terms of the joint venture agreement, and asserted its rights under the agreement to acquire the partner's interest in the joint venture tenements. This right was disputed by the partner and no further discussion has ensued since August 2016. KER remains the 100% registered holder of the tenements.
- HQM agreed on 10 September 2016 to extend its $150,000 loan due on 22 September 2016 for one year subject to an interest rate increase to 9.75%pa.

- The Company received a letter of comfort from HQM on 12 September that it was desirous to provide loans of $100,000 per month until the end of December 2016.
- On 29 September 2016 the Company entered into a sale agreement with Hellsten SF Pty Ltd atf KH & TH Superannuation Fund, entities controlled by Ken Hellsten a Director of the Company, for the sale and lease back of the Coppervale property for $368,000 with 3 years rental pre-paid ($90,000) as part of the sale. The Company retains a Right of First Refusal and an Option to Purchase right for a period of 3 years. The Company received $170,000 on 30 September 2016 and expects to receive the remaining funds progressively with the full amount transferred by 7 October 2016.
- The director's loan made by Mr Ian Buchhorn to the Company of $150,000 on 22 September 2015 was repaid in full on 30 September 2016 using part of the funds obtained from the Coppervale sale and lease back..

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

GCR is active on its major properties and its farm-in and joint venture partners are exploring under the various farm-in and joint venture arrangements.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The consolidated entity is subject to significant environmental regulation in respect to its exploration activities. The Company meets the standards set by the Australian Minerals Industry Code for Environmental Management.

The Company has developed criteria to determine areas of 'particular' or 'significant' importance, with regard to environmental performance.

These are graded 1 to 4 in terms of priority.

| | |
|---|---|
| Level 1 incident | major non-compliance with regulatory requirement resulting in potential public outcry and significant environmental damage both long and short-term nature. |
| Level 2 incident | significant non-compliance resulting in regulatory action, however environmental damage is only of a short-term nature. |
| Level 3 incident | minor non-compliance – no fine is imposed, however regulatory authority is notified. |
| Level 4 incident | non-compliance with internal policies and procedures. The incident is contained on-site. |

No reportable incidents occurred during the year.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has entered into deeds of indemnity, insurance and access with the directors, indemnifying them against claims, liabilities and defence costs, to the extent permitted by the Corporations Act. During the financial year, the Company paid a premium to insure the Directors and other officers of the Company and its wholly owned subsidiaries. Under the terms of the policy, the policy premium and policy liability cannot be disclosed.

## INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## REMUNERATION REPORT – AUDITED

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group. For the purposes of this report Key Management Personnel (**KMP**) of the group are those persons responsible for the strategic direction and operational management of the Company.

**REMUNERATION PHILOSOPHY**

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

**NON-EXECUTIVE DIRECTORS' FEES**

The base fees for a Non-executive Director was raised from $30,000 to $50,000 on 23rd October 2015. The base fee for the Chairman was raised from $50,000 to $75,000 on 23rd October 2015. These are within the aggregate Directors Fee Pool Limit of $300,000 set at the 2014 Annual General Meeting. Mr Li Xiaoming does not receive compensation or fees. All fees are exclusive of superannuation.

**EXECUTIVE REMUNERATION**

Executive management is remunerated at a level appropriate to an exploration company the size of GCR. Remuneration is set having regard to performance and relevant comparative information. In addition to a base salary, remuneration packages include superannuation, termination entitlements, fringe benefits and Employee Options pursuant to the Employee Option Plan. Employee Options are issued, following a recommendation to the Board by the Remuneration and Nomination Committee, in consideration of an employee's efforts undertaken on behalf of the Company, and assist with the motivation and retention of employees. The issue of options to Directors requires shareholder approval.

**SERVICE AGREEMENTS**

Ken Hellsten, Interim CEO, was employed under an employment contract with GCR.

Mark Langan, Company Secretary, Legal Counsel, and Chief Financial Officer, was employed under a service contract with Company Matters

There are no service agreements in place for the Non-executive Directors.

**DETAILS OF KEY MANAGEMENT PERSONNEL**

DIRECTORS AND COMPANY SECRETARY

| | |
|---|---|
| Ken Hellsten | Interim CEO resigned 23 November 2015 |
| | Chairman appointed 22nd July 2016 |
| Jingmin Qian | Interim Chairman resigned 16 December 2015 |
| Ian Buchhorn | Director (non-executive) ceased 13 July 2016 |
| Xiaoming Li | Director (non-executive) Yan Li (Alternate) |
| Yan Li | Alternate Director to Xiaoming Li |
| Yuanheng Wang | Director (non-executive) |
| Mark Sykes | Director (non-executive) appointed 22 October 2015, resigned 1 August 2016 |
| Neil Fearis | Director (non-executive) appointed 22 October 2015 |
| Rob Thompson | Director (non-executive) appointed 22 October 2015 |
| Mark Langan | Company Secretary resigned 10 August 2015 |
| Carl Hoyer | Company Secretary appointed 10 August 2015 |
| EXECUTIVES | |
| Bret Ferris | Exploration Manager |

## REMUNERATION REPORT – AUDITED

### Remuneration of Key Management Personnel for year ended 30 June 2016

| | Short Term Benefits | | | | Post Employment Benefits | | Share-based payment | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Short Term: Salary/Fee $** | **Cash bonus $** | **Non-monetary benefits S** | **Termination payment $** | **Superannu-ation $** | **Long Service Leave $** | **Options $** | **% of remuneration in options** | **Total $** |
| Ian Buchhorn | 43,602 | - | - | - | 4,142 | - | 285 | 0.6% | 48,029 |
| Neal Fearis | 34,678 | - | - | - | 3,294 | - | - | - | 37,972 |
| Kenneth John Hellsten | 79,800 | - | 33,000 | 9,625 | 7,581 | - | - | - | 130,006 |
| Carl Hoyer | 74,800 | - | - | - | 6,224 | 1,095 | - | - | 82,119 |
| Mark Langan * | 30,175 | - | - | - | - | - | - | - | 30,175 |
| Xiaoming Li ** | - | - | - | - | - | - | - | - | - |
| Jingmin Qian | 26,882 | - | - | - | 2,554 | - | 285 | 1.0% | 29,721 |
| Mark Sykes | 48,051 | - | - | - | 4,565 | - | - | - | 52,616 |
| Robert Thomson | 34,678 | - | - | - | 3,294 | - | - | - | 37,972 |
| Yuanheng Wang | 43,572 | - | - | - | - | - | - | - | 43,572 |
| Bret Ferris *** | 125,790 | - | - | - | - | - | - | - | 125,790 |
| Total | 542,028 | - | 33,000 | 9,625 | 31,654 | 1,095 | 570 | - | 617,972 |

None of the Key Management Personnel's remuneration is performance related.

* Mark Langan is an associate of Link Administrative Services through which he has been remunerated.

** Xiaoming Li is a majority shareholder of HQ Mining Resources Holdings Pty Ltd, a majority shareholder of Golden Cross, and does not receive remuneration from Golden Cross.

*** Bret Ferris the sole owner of Ferris Metals Pty Limited, through which he has been remunerated.

### . Shareholdings of Key Management Personnel

| Name | Balance 01.07.15 (number) | Received as remuneration (number) | Options exercised (number) | Acquisition/(Disposal) of shares (number) | Balance 30.06.16 (number) |
|---|---|---|---|---|---|
| Ian Buchhorn | 2,457,457 | - | - | (2,457,457) | - |
| Ken Hellsten | 451,124 | 543,735 | - | (994,859) | - |
| Carl Hoyer* | 12,500 | - | - | (12,500) | - |
| Xiaoming Li | 23,687,033 | - | - | 48,880,034 | 72,567,067 |

| | | | | | |
|---|---|---|---|---|---|
| Total | 26,608,114 | 543,735 | - | 45,415,218 | 72,657,067 |

*Shareholding for Carl Hoyer (12,500) is included since appointment as Company Secretary on 10th August 2015. Shareholding for Xun Qiu (20,000) is excluded as she is no longer a director having ceased 28th November 2014 and shareholding for Kim Stanton-Cook is excluded as he in no longer Managing Director having ceased 17th December 2014.

## Option Holdings of Key Management Personnel

| Name | Granted number | Cancelled number | Vested number | Grant date | Weighted Average Fair Value per option* (cents) | Exercise Price $ | First exercise date | Last exercise date |
|---|---|---|---|---|---|---|---|---|
| Jingmin Qian | 250,000 | (250,000) | - | 28.11.14 | 6.6 | 0.14 | 28.11.15 | 28.11.17 |
| Ian Buchhorn | 250,000 | - | 100,000 | 28.11.14 | 6.6 | 0.14 | 28.11.15 | 28.11.17 |
| Total | 500,000 | (250,000) | 100,000 | | | | | |

During FY2015, Golden Cross Resources Limited issued 500,000 options. Each option can be exercised to receive 1 ordinary share. Of the 50,000 options vested, none have been exercised. The options vest as follows: 10% on date of grant, a further 30% after 1 year, 60% after 2 years and are fully exercisable 3 years after date of grant.

## Remuneration of Key Management Personnel for year ended 30 June 2015

| | Short Term Benefits | | | Post Employment Benefits | | Share-based payment | | |
|---|---|---|---|---|---|---|---|---|
| Name | Short Term: Salary/Fee $ | Cash bonus $ | Non-monetary benefits S | Superannuation $ | Long Service Leave $ | Options $ | % of remuneration in options | Total $ |
| Ian Buchhorn | 13,467 | - | 16,533 | 2,850 | - | 6,315 | 16.1% | 39,165 |
| Steve Gemell | 14,382 | - | - | 1,366 | - | - | - | 15,748 |
| Kim Stanton-Cook* | 196,126 | - | 8,594 | 9,953 | - | - | - | 214,673 |
| Kenneth John Hellsten | 119,117 | - | 29,700 | 11,316 | 1,337 | - | - | 161,470 |
| Xiaoming Li ** | - | - | - | - | - | - | - | - |
| Jingmin Qian | 43,333 | - | - | 4,117 | - | 6,315 | 11.7% | 53,765 |
| Xun (Suzanne) Qiu | 12,500 | - | - | 1,188 | - | - | - | 13,688 |
| Yuanheng Wang | 17,500 | - | - | - | - | - | - | 17,500 |
| Simon Lennon* | 162,110 | - | - | 5,825 | - | - | - | 167,935 |
| Mark Langan**** | 38,775 | - | - | - | - | - | - | 38,775 |
| Bret Ferris *** | 184,800 | - | - | - | - | - | - | 184,800 |
| Total | 802,110 | | 54,827 | 36,615 | 1,337 | 12,630 | - | 907,519 |

None of the Key Management Personnel's remuneration is performance related.

* Kim Stanton-Cook received $53,812 and Simon Lennon received $32,780 in termination payments.

** Xiaoming Li is a majority shareholder of HQ Mining Resources Holdings Pty Ltd, one of the shareholders of Golden Cross, and does not receive remuneration from Golden Cross.

*** Bret Ferris the only owner of Ferris Metals Pty Limited, through which he has been remunerated.

**** Mark Langan is an associate of Link Administrative Services through which he has been remunerated.

## Shareholdings of Key Management Personnel

| Name | Balance 01.07.14* (number) | Received as remuneration (number) | Options exercised (number) | Acquisition/(Disposal) of shares (number) | Balance 30.06.15 (number) |
|---|---|---|---|---|---|
| Ian Buchhorn | - | 157,457 | - | 2,300,000 | 2,457,457 |
| Ken Hellsten | - | 451,124 | - | - | 451,124 |
| Kim Stanton-Cook | 180,000 | - | - | - | 180,000 |
| Xiaoming Li | 22,937,033 | | | 750,000 | 23,687,033 |
| Xun Qiu | 20,000 | - | - | - | 20,000 |
| Total | 23,137,033 | 608,581 | | 3,050,000 | 26,795,614 |

## Option Holdings of Key Management Personnel

| Name | Granted number | Vested number | Grant date | Weighted Average Fair Value per option* (cents) | Exercise Price $ | First exercise date | Last exercise date |
|---|---|---|---|---|---|---|---|
| Jingmin Qian | 250,000 | 25,000 | 28.11.14 | 6.6 | 0.14 | 28.11.15 | 28.11.17 |
| Ian Buchhorn | 250,000 | 25,000 | 28.11.14 | 6.6 | 0.14 | 28.11.15 | 28.11.17 |
| Total | 500,000 | 50,000 | | | | | |

During FY2015, Golden Cross Resources Limited issues 500,000 options. Each option can be exercised to receive 1 ordinary share. Of the 50k options vested, none have been exercised. The options vest as follows: 10% on date of grant, a further 30% after 1 year, 60% after 2 years and are fully exercisable 3 years after date of grant.

### End of Audited Remuneration Report

## ANNUAL GENERAL MEETING

The Company's 2016 Annual General Meeting is scheduled to be held at the Office of Golden Cross Resources Ltd, 304/66 Berry Street, North Sydney on 21st November 2016.

## ROUNDING

The Company is of a kind referred to in ASIC Corporations instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar, in accordance with that Class Order.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Directors (including meetings of committees of Directors) held during the year ended 30 June 2016, and the numbers of meetings attended by each Director were:

| Name | Full Board Meetings Held While a Director | Full Board Meetings Attended | Audit Committee Meetings Held While a Member | Audit Committee Meetings Attended | Remuneration and Nomination Committee Meetings Held While a Member | Remuneration and Nomination Committee Meetings Attended |
|---|---|---|---|---|---|---|
| Jingmin Qian | 10 | 10 | 1 | 1 | - | - |
| Xiaoming Li | 13 | 1 | - | - | - | - |
| Ken Hellsten | 7 | 7 | - | - | - | - |
| Yuanheng Wang | 13 | 10 | 2 | 2 | - | - |
| Ian Buchhorn | 13 | 13 | 2 | 2 | - | - |
| Yan Li (Alternate) | 13 | 7 | - | - | - | - |
| Mark Sykes | 8 | 8 | 1 | 1 | - | - |
| Neil Fearis | 8 | 8 | - | - | - | - |
| Rob Thompson | 8 | 8 | - | - | - | - |

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

Ken Hellsten
**Chairman**
30 September 2016

# CORPORATE GOVERNANCE STATEMENT

The Company's main corporate governance practices are set out below. These practices are generally in line with the ASX Good Corporate Governance and Best Practice Recommendations ("Recommendations").

## THE BOARD OF DIRECTORS

The Board takes ultimate responsibility for corporate governance and operates in accordance with the following principles:

- the Board comprises a minimum of four Directors;
- at least one half of the Board should be Non-executive Directors;
- the Chairman should be an independent Non-executive Director elected by the full Board; and
- the Board should comprise Directors at least some of whom have a broad range of skills and experience relevant to the business of the Company.

The Board Charter is available on the Company's website: www.goldencross.com.au

*The Company does not comply with Recommendation 2.1* (and acknowledges its error in the 2012 and 2013 annual reports in this regard), which recommends that a majority of the Board should be independent Directors. The Board expects compliance with this recommendation by the end of 2015. None of the non-Executive Directors is a current or former employee of the Company.

Relevant skills and experience of Directors are set out in the Directors' Report and in the Corporate section of the Company's website and these will be supplemented by the appointment of additional independent directors in 2015. Directors' performance is subject to review by the Chairman.

## AUDIT COMMITTEE

Until 16 December 2015, the Audit Committee comprised three Directors: Jingmin Qian, Ian Buchhorn, and Yuanheng Wang. Ms Qian was Chairwoman of the Audit Committee. Since 16 December 2015, the Audit Committee has comprised three Directors: Mark Sykes, Ian Buchhorn, and Yuanheng Wang. Mark Sykes was chairwoman of the Audit Committee. Committee meeting attendances are disclosed in the Directors' Report.

The purpose of the Audit Committee, as set out in the Charter posted on the website, is to:

- review and report to the Board on the Company's annual report and financial statements
- provide assurance to the Board that it is receiving adequate, up to date, reliable information and
- assist the Board in reviewing the effectiveness of the Company's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting, and
  - compliance with applicable laws and regulations

The Audit Committee is also charged with the responsibility of recommending to the Board the appointment, removal and remuneration of the auditors, and reviewing the terms of their engagement, and the scope and quality of the audit. Details of the procedures for the selection and appointment of the auditors, and for the rotation of the audit engagement partners, are posted on the website.

In fulfilling its responsibilities, the Committee meets with the auditors at least twice each year and receives reports from management and the auditors. The auditors may communicate directly with the Chairman of the Audit Committee and Board. The auditor attends annual general meetings of the Company to answer questions about the audit.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party, and to obtain external legal or other independent professional advice. The Committee also requires the CEO and CFO/Accountant to sign off on the Company's financial reports and the soundness of the Company's risk management and internal compliance and control systems.

The Committee reports to the full Board after each Committee meeting. Audit Committee minutes are provided to all Directors.

## REMUNERATION AND NOMINATION COMMITTEE

Until 16 December 2015, the Remuneration and Nomination Committee has comprised Jingmin Qian as Interim Chairman, Ian Buchhorn, and Yuanheng Wang. Since 16 December 15 the Remuneration and Nomination Committee has comprised of Ian Buchhorn and Yuanheng Wang.

The Remuneration Committee Charter is available on the Company's website. The Committee reports to the full Board after each Committee meeting and Remuneration Committee minutes were provided to all Directors.

**NOMINATION POLICY**

*The Company has complied with Recommendation 2.4 since 13 June 2012*, by reconstituting the Remuneration Committee as a Remuneration and Nomination Committee. The Company had understood itself to be subject to the terms and intent of the subscription agreement between the Company and HQ Mining Resources Holding Pty Ltd dated 22 December 2008, but recognises it hasn't been at least since 15 November 2012. The Board's Nomination Policy is posted on the Company's website.

**GENDER DIVERSITY**

*The Company has not complied with Recommendation 3*. The board comprises three male directors and one female director. At this time, primarily because of the Company's size and emphasis on selecting employees solely on merit, the Company's only formal policy with respect to diversity is to comply with Australian legislation. The Company has (including the managing director) four full-time employees, one of whom is female.

**RISK MANAGEMENT**

The Company has established a Risk Management Policy, which is posted on the Company's website. Management reports regularly to the Board on its management of material business risks.

The Board has received assurance from the CEO and CFO that the declaration for the financial report, 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.

**CONTINUOUS DISCLOSURE POLICY**

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. The Company's Continuous Disclosure Policy is posted on the website.

All information disclosed to ASX is immediately posted on the website and emailed to those parties who have supplied their email addresses. When analysts are briefed on aspects of the Company's operations, the material to be used in the presentation is released to ASX and posted on the Company's website.

**COMMUNICATIONS POLICY**

The Company's Communications Policy is posted on the Company's website.

**SECURITIES TRANSACTION RULES**

The Company has in place written Securities Transaction Rules. They bind Directors, officers and employees of the Company and prohibit trading in the Company's securities of anyone in possession of price-sensitive information. They may only trade in the Company's securities or securities of the Company's joint venture partners after notifying the Chairman, Managing Director, or Company Secretary respectively of their intentions to trade. The Securities Transaction Rules have been notified to the ASX and are posted on the Company's website.

**CORPORATE CONDUCT**

The Board has adopted policies on Ethics and the Environment. On 26 June 2014, the Board adopted a new policy on Health, Safety, Environment, and Community replacing the policy on Safety and Health adopted on 10 June 2011. These policies seek to foster high standards of conduct and integrity among employees, officers, and directors. The policies are posted on the Company's website.

**INDEPENDENT PROFESSIONAL ADVICE**

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The Company will only meet that expense if they obtain the advice after obtaining the Chairman's prior written approval, which will not be unreasonably withheld.

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| Other income | 5 | 317 | 40 |
| Exploration expense | 6(a) | (122) | (4,102) |
| General and administrative expenses | 6(b) | (1,472) | (1,281) |
| **Loss before income tax** | | (1,277) | (5,343) |
| Income tax benefit | 7 | - | - |
| **Loss after income tax** | | (1,277) | (5,343) |
| **Net loss after tax attributable to members of Golden Cross Resources Limited** | | (1,277) | (5,343) |
| Other comprehensive income to be reclassified to profit and loss in future periods (unrealised gain/ (loss) on investments) | | - | (2) |
| **Total comprehensive loss attributable to the members of Golden Cross Resources Limited** | | (1,277) | (5,345) |
| Basic loss per share (cents) | 8 | (1.26) | (5.57) |
| Diluted loss per share (cents) | 8 | (1.26) | (5.57) |

## Consolidated Statement of Financial Position

As at 30 June 2016

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 9 | 112 | 438 |
| Other receivables | 10(a) | 245 | 244 |
| Prepayments | 11 | 23 | 33 |
| Total Current Assets | | 380 | 715 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 12(b) | 407 | 423 |
| Exploration and evaluation | 12(a) | 11,885 | 11,970 |
| Other receivable | 10(b) | - | 198 |
| Total Non-Current Assets | | 12,292 | 12,591 |
| **Total Assets** | | 12,672 | 13,306 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Loans from directors/related parties | 13(a) | 627 | - |
| Payables | 13(b) | 87 | 113 |
| Provisions | 14 | 82 | 72 |
| Total Current Liabilities | | 796 | 185 |
| **Non-Current Liabilities** | | | |
| Provisions | 15 | - | 2 |
| Total Non-Current Liabilities | | - | 2 |
| **Total Liabilities** | | 796 | 187 |
| **Net Assets** | | 11,876 | 13,119 |
| **EQUITY** | | | |
| Issued capital | 16 | 58,247 | 58,214 |
| Reserves | 17 | 922 | 921 |
| Accumulated losses | | (47,293) | (46,016) |
| **TOTAL EQUITY** | | 11,876 | 13,119 |

## Consolidated Statement of Cash Flows

For the year ended 30 June 2016

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (1,240) | (1,125) |
| Interest received | | 12 | 39 |
| Receipts from farm-in partners | | 6 | - |
| **Net cash outflow used in operating activities** | 18 | (1,222) | (1,086) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for property, plant and equipment | | (4) | (1) |
| Payments for exploration and evaluation | | (572) | (1,752) |
| Proceeds from sale of Mt Boppy Royalty | | 200 | - |
| Proceeds from sale of Interest in Wagga Tank | | 40 | - |
| Proceeds from sale of Interest in Broken Hill | | 60 | - |
| Proceeds from sale of Interest in Mulga Tank | | - | 275 |
| Proceeds from sale of investments | | - | 22 |
| Refund of security deposits | | 27 | 12 |
| Payment of security deposit | | (15) | - |
| Repayment of other loan | | 5 | 4 |
| Research and development tax refund | | 535 | 184 |
| **Net cash outflow used investing activities** | | 276 | (1,256) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from the issue of shares | | - | 348 |
| Cost of share issue | | - | (10) |
| Proceeds from borrowings | | 620 | - |
| **Net cash inflow from financing activities** | | 620 | 338 |
| **NET INCREASE/(DECREASE) IN CASH HELD** | | (326) | (2,004) |
| Cash at beginning of the reporting period | | 438 | 2,442 |
| **CASH AT END OF THE REPORTING PERIOD** | 9 | 112 | 438 |

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

| | Issued Capital | Share-based Compensation Reserve | AFS Revaluation Reserve | Accumulated Losses | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **As at 1 July 2014** | 57,812 | 909 | 2 | (40,673) | 18,050 |
| Loss for the period | - | - | - | (5,343) | (5,343) |
| Other comprehensive income | - | - | (2) | - | (2) |
| Total comprehensive income/(loss) for period | - | - | (2) | (5,343) | (5,345) |
| Share issues | 348 | - | - | - | 348 |
| Share issue costs | (10) | - | - | - | (10) |
| Share based payments | - | 12 | - | - | 12 |
| Non Cash share issues | 64 | - | - | - | 64 |
| **As at 30 June 2015** | 58,214 | 921 | - | (46,016) | 13,119 |
| **As at 1 July 2015** | 58,214 | 921 | - | (46,016) | 13,119 |
| Loss for the period | - | - | - | (1,277) | (1,277) |
| Total comprehensive income/(loss) for period | - | - | - | (1,277) | (1,277) |
| Share based payments | - | 1 | - | - | 1 |
| Non Cash share issues | 33 | - | - | - | 33 |
| **As at 30 June 2016** | 58,247 | 922 | - | (47,293) | 11,876 |

## Notes to the Financial Statements

For the year ended 30th June 2016

### 1. CORPORATE INFORMATION

The financial report of Golden Cross Resources Limited (the "Company") for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 30th September 2016.

Golden Cross Resources Limited (the "parent") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively, the "Group") as at 30 June each year.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**(a) Basis of preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. It has been prepared on an historical cost basis except for investments in listed shares, which are measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated, as the entity is an entity to which ASIC Corporations instrument 2016/191 applies.

*Going concern*

The Group is involved in the exploration and evaluation of mineral tenements. Further expenditure will be required upon these tenements to ascertain whether they contain economically recoverable reserves.

For the full year ended 30 June 2016, the Group reported a net loss of $1,277,000 (2015: $5,343,000) and net operating cash outflows of $1,222,000 (2015: $1,086,000). The operating cash outflows and investment activities have been funded by cash reserves. As at 30 June 2016, the Group had net current liability of $416,000 including cash reserves of $112,000 (30 June 2015: (Net current asset $530,000 including cash reserves of $438,000).

The balance of these cash reserves may not be sufficient to meet the Group's expenditure, including exploration activities, and operating and administrative expenditure, for the next 12 months. The Group has exploration commitments over the next 12 months from July 1 totalling $542,000 and additional required expenditure.

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. To continue as a going concern, the Group requires additional funding to be secured from sources including but not limited to:

- a further equity capital raising;
- additional financial support from the Company's major shareholder HQ Mining, or other financier; or
- the sale of its interest in exploration projects including (but not limited to) Cargo and Copper Hill, or sale and lease back of the Coppervale property.

Subsequent to 30 June 2016, HQ Mining has agreed to provide further financial support to the Company to support the essential ongoing activities up to the earlier of a capital raising or 31 December 2016. Furthermore, the Group has entered into an agreement for the sale and leaseback of the Coppervale property Refer to Note 24 for further details.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding, the Group's ability to effectively manage their expenditures and cash flows from operations and the opportunity to sell or farm out interests in existing permits, the Directors believe that the Group will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there is significant uncertainty whether the Group will continue to operate as a going concern. If the Group is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern.

**(b) Statement of compliance**

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

**(c) (i) New accounting standards and interpretations**

*Changes in accounting policy and disclosures*

The company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015.

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted new and amended Australian Accounting Standards and AASB interpretations where applicable from 1 July 2015, which have no material impact on the company as follows:

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2015-3 – Amendments relating to withdrawal of AASB 1031 Materiality

**(c) (ii) Accounting standards and interpretation issued but not yet effective**

- AASB 16 – Leases – Application date 1 January 2019 – Application date for Group 1 July 2019
- IFRS 15 – Revenue from Contracts with Customers – Application date 1 January 2018 – Application date for Group 1 July 2018
- AASB 9 – Financial instruments – Application date 1 January 2018 – Application date for Group 1 July 2018

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The company is still in the process of assessing the potential impact of these standards. Certain disclosures and presentation may change due to new and amended standards.

**(d) Basis of consolidation**

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

**(e) Business combinations**

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination income statement. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell) all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. This discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(f) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and short-term deposits with an original maturity of less than three months.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

**(g) Trade and other receivables**

Trade and other receivables, which generally have 5-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(h) Exploration, evaluation, development and restoration costs**

*Exploration & Evaluation*

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

*Exploration & Evaluation – Impairment*

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the Income Statement when the above criteria do not apply or when the directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

**Exploration, evaluation, development and restoration costs**
*Development*

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure

comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured. No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

*Restoration*

Provisions for restoration costs of drilling sites and other areas disturbed by exploration activities are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

*Remaining Mine Life*

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame.

**(i) Investments**

All investments are initially recognised at fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Group commits to purchase the asset. Investments in subsidiaries are held at cost less accumulated provisions for impairment.

**(j) Interest in jointly controlled operation**

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A joint operation involves use of assets and other recourses of the venturers rather than establishment of a separate entity. The Group recognises its interest in the joint operation by recognising its interest in the assets and the liabilities of the joint operation. The Group also recognises the expenses that it incurs and its share of the income that it earns form the sale of goods or services by the joint operation.

**(k) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- plant and equipment - 4 years; and
- motor vehicles - 5 years

*Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

**(l) Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**(m) Pensions and other post-employment benefits**

The Group contributes to defined contribution superannuation funds for employees. The cost of these contributions is expensed as incurred.

**(n) Trade and other payables**

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**(o) Provisions and employee leave benefits**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability

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

*Employee leave benefits*

*(i) Wages, salaries, annual leave and sick leave*

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

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(p) Government Grants Accounting Policy**

The Company receives government grants through Research and Development (R&D) Tax Incentives on certain exploration activities. Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to expenditure that has been expensed or written off it is recognised as income in the period received. When the grant relates to expenditure incurred that has been deferred it is recognised against the asset balance.

**(q) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognised.

*Interest*

Revenue is recognised as the interest accrues.

*Royalties*

Royalties are recognised in accordance with substance of the relevant agreement.

*Contract exploration*

Contract exploration revenue earned from third parties is recognised when rights to receive the revenue are assured.

**(r) Income tax and other taxes**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

*Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(s) Currency**

The functional and presentation currency for the Group is Australian dollars ($) except for the Panama subsidiary where the functional currency is the American Dollar (US$). Gains and losses due to movements in foreign exchange rates are recorded in the income statement.

**(t) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset

is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(u) Contributed equity**

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, from the proceeds.

**(v) Segment reporting**

(i) Identification of reportable segments. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and the Board of Directors (the Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. The operating segments identified by management are each exploration tenement. The Group operates entirely in the industry of mineral exploration, evaluation and development for different metals and minerals, including copper, gold, silver, coal, and others.

(ii) Discrete pre-tax financial information, being expenditure incurred year to date and from the start date, about each of these segments is reported to the Chief Operating Decision Makers on a monthly basis.

Accounting policies, segment revenue, and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

All expenses incurred for exploration and evaluation which qualify for capitalisation as described in note 2h are capitalised.

There are no intersegment transactions within the Group's segment.

The segment results include the capitalised allocation of overhead that can be directly attributed to an individual business segment.

The following items and associated assets and liabilities are not allocated to segments as they are not considered part of the core operations of any segment:

- gain and loss on investments held for trading or available for sale;
- gains and losses on the sale of investments;
- finance costs;
- certain general and administration expenses;
- impairment write offs for full value of tenements; and

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's Risk Management Policy sets out the Company's overall risk management framework and policies, including monthly review by the Board of the Company's financial position and financial forecasts, and maintaining adequate insurances.

The Company's cash reserves are held at call with Westpac Banking Corporation and BankWest, in accounts selected to maximise the return of interest.

AASB 7 ("Financial Instruments – Disclosures") requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to AASB 101 ("Presentation of Financial Statements") introduces disclosures about the level of an entity's capital and how it manages capital.

(a) Capital management

The Group considers its capital to comprise its ordinary share capital net of accumulated retained losses, $10,954,000 (2015: $12,198,000).

In managing its capital, the Group's primary objective as an explorer is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group has total debts of $627,000 with a gearing ratio of 1.08%

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or consideration of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

(b) Principal financial instruments

The principal financial instruments are as follows:

- Cash
- Trade and other receivables
- Investments
- Trade and other payables
- Loans

The Group does not use derivative financial instruments, and has no off-balance sheet financial assets or liabilities at year-end.

(c) Financial instrument risk exposure and management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. These main risks, arising from the group's financial instruments are interest rate risk, liquidity risk, currency risk, share market risk and credit risk. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(d) General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

(ii) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out in the following tables:

At balance date, the Group is exposed to floating weighted average interest rates for financial assets of 1.70% on $75,000 in deposits at call (2015: 1.95%) and between 1.85% and 2.70% on $210,000 in security deposits (2015: 2.04% - 3.30%). $300,000 in loans from directors are non-interest bearing. A further loan of $320,000 has an attached interest rate of 9.75% per annum.

| **Year ended 30 June 2016** | | | **Fixed interest maturing in:** | | | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Floating interest rate** | **1 year or less** | **over 1 to 5 years** | **more than 5 years** | **Non-interest bearing** | **Total** |
| | | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | | | | |
| Cash | 9 | 75 | - | - | - | 37 | 112 |
| Receivables - Current | 10 (a) | - | 210 | - | - | 35 | 245 |
| Receivables Non current | 10 (b) | - | - | - | - | - | - |
| | | 75 | 210 | - | - | 72 | 357 |
| Weighted average interest rate | | 1.70% | 2.00% | | | | |
| **Financial liabilities** | | | | | | | |
| Payables | 13 (b) | - | - | - | - | 87 | 87 |
| Loans from Directors/related parties | 13 (a) | - | 327 | | | 300 | 627 |
| Net financial assets | | 75 | (117) | - | - | (315) | (357) |
| | | | 9.75% | | | | |

| **Year ended 30 June 2015** | | | **Fixed interest maturing in:** | | | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Floating interest rate** | **1 year or less** | **over 1 to 5 years** | **more than 5 years** | **Non-interest bearing** | **Total** |
| | | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | | | | |
| Cash | 9 | 200 | 200 | - | - | 38 | 438 |
| Receivables - Current | | - | 238 | - | - | 26 | 264 |
| Receivables Non current | 10 (b) | - | - | - | - | 198 | 198 |
| | | 200 | 438 | - | - | 262 | 900 |
| Weighted average interest rate | | 1.95% | 2.10% | | | | |
| **Financial liabilities** | | | | | | | |
| Payables | 13 | - | - | - | - | 113 | 113 |
| Net financial assets | | 200 | 438 | - | - | 149 | 787 |

**Risk Exposures and Responses**

| Judgments of reasonably possible movements: | Post Tax Loss Lower/(Higher) | | Equity Lower/(Higher) | |
|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| + 1% (100 basis points) | 5 | 10 | - | - |
| - 1% (100 basis points) | (5) | (10) | - | - |

(iii) Foreign exchange currency risk

All financial assets and liabilities are denominated in Australian dollars. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere.

(iv) Share market risk

The Company relies greatly on equity markets to raise capital for its exploration activities, and is thus exposed to equity market volatility. When markets conditions require for prudent capital management, generally in consultation with professional advisers, the Group looks to alternative sources of funding, including the sale of assets and royalties.

The capacity of the company to raise capital from time to time may be influenced by either or both market conditions and the price of the Company's quoted shares at that time.

(v) Credit risk

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

The Group trade only with recognized, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitize its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

*Other receivables*

Other receivables comprise GST. Credit worthiness of debtors is undertaken when appropriate.

(e) Accounting policies

Accounting policies in relation to financial assets and liabilities and share capital are contained in note 2.

(f) Fair value of financial assets and liabilities.

The Company has available to it various methods in estimating the fair value of listed investments. The methods comprise:

Level 1 - The fair value is calculated using quoted prices in active markets.

Level 2 - The fair value is estimated using inputs other than quotes prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - The fair value is estimated using inputs for the asset or liability that are not based on observable market data.
The fair value of the listed investments was calculated using the level 1 method. The carrying values of trade receivables and trade payables are recorded in the financial statements approximates their respective net fair values, in accordance with the accounting policies outlined in note 2. The non-current other receivable was impaired at 30 June 2015 to an amount that approximates fair value, at 30 June 2016 there has been no significant change in the inputs that would indicate that the carrying value of the asset would not approximate the fair value.

The fair value of all monetary financial assets and financial liabilities of the Company approximate their carrying value.

There are no off-balance sheet financial assets or liabilities at year-end.

All financial assets and liabilities are denominated in Australian dollars.

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant

judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*Impairment of non-financial assets other than goodwill*

The group assesses impairment of all assets (including capitalised exploration costs) at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment.

*Carrying values of exploration assets*

The Group applies judgments in determining the carrying value of exploration assets in particular in determining which exploration costs should be capitalised or expensed. The Group assesses impairment of such assets at each reporting date by evaluating conditions specific to the Group.

*Argent Receivable*

The Group applies judgements in assessing the key assumptions for determining the fair value of the receivable, including the estimated date for the decision to mine, and the probability of that decision occurring. Refer to note 10 (b) for further details.

**5. OTHER INCOME**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Other Income from non-operating activities** | | |
| Interest received | 12 | 39 |
| Interest receivable accrued | - | 1 |
| Sale of Non-Core assets (i) | 300 | - |
| Other | 5 | - |
| **Total other income** | 317 | 40 |

(i) The Mt Boppy gold royalty sold $200k, the Broken Hill tenement was sold for $60k and the Wagga Tank tenement for $40.

**6. GAINS & EXPENSES**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **(a) Exploration expense** | | |
| Capitalised expenditure written off | 122 | 4,102 |
| | 122 | 4,102 |
| **(b) General & administrative expenses** | | |
| Employee entitlements | 419 | 799 |
| Employee entitlements capitalised to Exploration and Evaluation | (146) | (386) |
| Superannuation contributions | 34 | 61 |
| Superannuation contributions capitalised to Exploration and Evaluation | (14) | (35) |
| Audit fees | 37 | 35 |
| Depreciation of plant and equipment | 20 | 27 |
| Insurance | 29 | 37 |
| Legal | 327 | 11 |
| Operating lease - rental expense | 55 | 86 |
| Option Issue expense | 1 | 12 |
| Overseas admin expense | 3 | 15 |
| Share Registry Fees and Stock Exchange Fees | 49 | 64 |
| Web site and computer maintenance | 20 | 24 |
| Adjustment to non-current receivables | 198 | 247 |
| Other | 440 | 284 |
| | 1,472 | 1,281 |

## 7. INCOME TAX

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| (a) The components of income tax expense are: | | |
| Current tax | - | - |
| Deferred tax benefit | - | - |
| Total tax benefit | - | - |

(i) The Golden Cross Resources Limited group of companies tax consolidated in Australia on 1 July 2007. There are presently no tax sharing or funding agreements in place.

(ii) The parent entity and each of the subsidiaries are in tax loss for the year and have substantial tax losses carried forward in Australia and Panama.

(iii) The Directors are of the view that there is insufficient probability that the parent entity and its subsidiaries will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| (b) Numerical reconciliation of income tax expense to prima facie tax payable is as follows: | | |
| Loss from operations before income tax expense | (1,277) | (5,343) |
| Tax at statutory tax rate of 28.5% (2015: 30%) | (364) | (1,603) |
| Tax effect of non-temporary differences | 5 | 307 |
| Tax effect of equity raising costs debited to equity | (3) | (3) |
| Tax effect of tax losses and temporary differences not recognised | 362 | 1,299 |
| Income tax expense | - | - |

(c) There is no amount of tax benefit recognised in equity, as the tax effect of temporary differences has not been booked.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Unclaimed value of share issue costs debited to equity | 22 | 32 |
| Tax benefit of unclaimed residuals at 28.5% (2015: 30%) | 6 | 10 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| (d) Tax Losses – Revenue | | |
| Unused tax losses for which no tax loss has been booked as a deferred tax asset | 41,672 | 42,133 |
| Potential deferred tax benefit at 28.5% (2015: 30%) | 11,876 | 12,640 |
| Net deferred tax liability | (2,217) | (1,553) |
| Net deferred tax asset - not booked | 9,659 | 11,087 |

The benefit of income tax losses will only be obtained if:

(i) the respective companies derive future assessable income of a nature and of an amount to enable the benefit from the deductions for the losses to be realised;

(ii) the respective companies continue to comply with the conditions for deductibility imposed by tax legislation; and

(iii) No changes in tax legislation adversely affect the respective companies in realising benefit from the deductions from the losses.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| (e) Temporary tax differences | | |
| Accelerated deductions for tax compared to book | (6,623) | (4,506) |
| Other temporary tax differences | (1,156) | (670) |
| Total at 100% | (7,779) | (5,176) |
| Potential deferred tax liability @ 28.5% (2015: 30%) | (2,217) | (1,553) |

**8. LOSS PER SHARE**

| | 2016 | 2015 |
|---|---|---|
| Basic loss per share (cents per share) | (1.26) | (5.57) |
| Weighted average number of ordinary shares during the year used in the calculation of basic loss per share | 101,320,648 | 98,144,107 |
| Diluted loss per share (cents per share) | (1.26) | (5.57) |

| | 2016 No of Shares | 2015 No of Shares |
|---|---|---|
| Weighted average number of ordinary shares during the year used in the calculation of diluted loss per share | 101,320,648 | 98,144,107 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Loss used in calculating basic and diluted loss per share | (1,277) | (5,343) |

**Options**

In addition to salaries, the Group has provided benefits to certain employees (including directors) of the Group in the form of the Golden Cross Resources Employee Option Plan re-approved by shareholders at the general meeting of shareholders held in March 2006. The number of employee options on issue at any time must not exceed 5% of the issued capital of the Company at that time. All employees (including directors and consultants) of Golden Cross and its controlled entity are eligible to participate in the plan.

The last options issued under the Employee Option Plan expired on 4 July 2013. None of the options issued under the Employee Option Plan were exercised.

Options granted to employees, including Key Management Personnel, described in the Remuneration Report, are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been considered in the determination of basic earnings per share.

In 2016 the weighted average number of options that were not included in the calculation of loss per share as they are anti-dilutive is 364,764 : (2015: 293,151)

**9. CASH AND CASH EQUIVALENTS**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Cash at bank and on hand | 112 | 238 |
| Deposits | - | 200 |
| | 112 | 438 |

**Note:** No deposits are held in short term deposits of 62-90 days for which the interest rates at year-end (2015: 2.40%) and an 11am call account at 1.70% (2015: 1.95%).

**10. OTHER RECEIVABLES**

| **(a) Current other receivables** | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Security deposits | 231 | 243 |
| Other debtors | 14 | 1 |
| | 245 | 244 |

Security deposits are required by government legislation as a prerequisite to exploration. The cash held in security deposits is not available until leases are relinquished or sold. The deposits are bearing floating interest rates between 1.85% and 2.70% (2015: between 2.04% and 3.30%).

Balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received in full.

| **(b) Non-Current Other receivables** | **2016 $'000** | **2015 $'000** |
|---|---|---|
| Other Receivable (i) | - | 198 |
| | - | 198 |

(i) Kempfield Sale Agreement:

On the 2 May 2011, Golden Cross signed an agreement with Argent Minerals Limited to sell its 30% interest in the Kempfield Joint Venture for a consideration of:

(a) $1,000,000 payable in cash received in 2011.
(b) $1,000,000 payable in shares of Argent Minerals Limited upon receipt of the necessary consents and approvals by the Minister under the Mining Act (both received in Sept 2011), and received in 2012.
(c) a deferred portion of $1,000,000 payable in shares of Argent Minerals Limited upon a decision to mine. In the prior year this was estimated at a value of $198,000 based on the Board's estimate that Argent had a 25% chance of deciding to mine within 4 years from 30 June 2015. Using the discount rate at sale date of 6% present value of non-current receivable was $198,000. During the current year, the Group reassessed the fair value and determined that the probability of Argent reaching a decision to mine is nil. As such, the receivable amount was written down to a nominal value of $1.

The fair value of the non-current receivable is calculated using the method described above however utilising a current discount rate. The fair value of the non-current receivable is deemed to approximate the carrying value.

**11. PREPAYMENTS**

| | **2016 $'000** | **2015 $'000** |
|---|---|---|
| Prepaid expenses | 23 | 33 |
| | 23 | 33 |

**12. EXPLORATION AND EVALUATION EXPENDITURE, MINE PROPERTY, PLANT AND EQUIPMENT**

| | **2016 $'000** | **2015 $'000** |
|---|---|---|
| **(a) Exploration and Evaluation Expenditure** | | |
| *Exploration Assets* | | |
| Costs brought forward | 11,970 | 14,801 |
| Expenditure incurred during the year | 507 | 1,730 |
| R & D Tax Refund written back (ii) | (470) | (184) |
| Disposal of Mulga Tank and Mulga East | - | (275) |
| Expenditure written off during the year (i) | (122) | (4,102) |
| Costs carried forward | 11,885 | 11,970 |
| Costs incurred on current areas of interest | | |
| - Copper Hill | 306 | 1,316 |
| - Burra | 20 | 22 |
| - Codna Hill | 9 | - |
| - Delaney's Tank | 1 | - |
| - Cargo | 79 | 29 |
| - Pine Ridge | - | 1 |
| - Oolgelima Hill | 18 | - |
| - Rast | 4 | 3 |
| - Other properties | 70 | 175 |
| | 507 | 1,546 |

(i) Relates to impairment of capitalised exploration expenditure to tenements which are no longer viewed as being economically recoverable. During the period Fairview Tank, Rast, Rast North, Burthong and Giddinna were allowed to expire

and Koolymilka was relinquished. The associated costs were written off during the period. In addition to this expenditure during the period on a collection of other tenements ($112k) was expensed as the tenements had all previously been written down to nil in the prior period.

The interest in Broken Hill tenement was sold for $60k and the Wagga Tank tenement for $40k.

Details of the economic entity's exploration tenements are disclosed at the back of the Annual Report.

(ii) During the period, a 2014-15 R & D refund of $469,803 net of tax agent fees (2013-14 $183,781) was received from the Australian Taxation Office. These monies were written back against the relevant project (Copper Hill $469,803) (Copper Hill 2013-14 $183,781)

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **(b) Property, Plant and Equipment** | | |
| Cost | 901 | 934 |
| Disposal of fully written down assets | (68) | (33) |
| Provision for depreciation | (426) | (478) |
| Net book value | 407 | 423 |
| Net book value at beginning of year | 423 | 449 |
| Additions | 4 | 1 |
| Depreciation expense | (20) | (27) |
| Net book value at 30 June | 407 | 423 |

**13. (a) CURRENT LIABILITIES – Loans from directors/related parties**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Loans from directors/related parties | 627 | - |
| | 627 | - |

At 30 June 2016 the company has the following loan agreements with a director and another related party.

1) Mr Ian James Buchhorn, a non-executive director (ceased 13 July 2016) and the company entered into a loan agreement on 22 September 2015 for the amount of $150,000 for a term of 12 months at 0% interest, repayable after the earlier of the company raising $500,000 through the issue of shares or at the first anniversary date. Subsequent to year end Ian Buchhorn agreed to extend the loan agreement until 28 September 2016. The loan was repaid from the proceeds of the Coppervale property on 30 September 2016. Refer to Note 24 for further details.

2) HQ Mining Resources Holding Pty Ltd and the company entered into a loan agreement on 22 September 2015 for the amount of $150,000 for a term of 12 months at 0% interest, repayable after the earlier of the company raising $500,000 through the issue of shares or at the first anniversary date. Subsequent to year end the repayment of the loan was deferred until 22 September 2017 with interest accruing at 9.75% per year.

3) HQ Mining Resources Holding Pty Ltd and the company entered into a loan agreement on 4 February 2016 for the amount of $320,000 deliverable in 3 tranches at 9.75% interest, repayable after the earlier of the company raising $1,500,000 through the issue of shares or at the first anniversary date. The balance of the loan at 30 June 2016 includes $7,000 in capitalised interest and is repayable on or before the 4th February 2017.

**13(b) CURRENT LIABILITIES - Payables**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Trade payables and other creditors | 87 | 113 |
| | 87 | 113 |

Trade payables and other creditors are non-interest bearing and are normally settled on 30-day terms.

**14. CURRENT LIABILITIES – Provisions**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Provision for Annual Leave | 37 | 31 |
| Provision for Long Service Leave | 45 | 41 |
| Total Current Provisions | **82** | **72** |

**15. NON-CURRENT LIABILITIES – Provisions**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Provision for Long Service Leave | - | 2 |
| Total non-current liabilities – Provisions | **-** | **2** |

**16. CONTRIBUTED EQUITY**

| | 2016 Shares '000 | 2015 Shares '000 | 2016 $'000 | 2015 $'000 |
|---|---|---|---|---|
| Issued and paid up: | | | | |
| Ordinary shares * | 101,622 | 101,078 | 58,247 | 58,214 |

Movements in the securities of the Company during the past two years were as follows:

| DATE | DETAILS | NO. OF SHARES | ISSUE PRICE CENTS | $'000 |
|---|---|---|---|---|
| 01.07.14 | Closing Balance | 1,889,299,391 | | 57,812 |
| 28.08.14 | 1 for 20 Share Consolidation* | 94,490,287 | | |
| 1.12.14 | Issue to Director and Ex directors | 307,457 | 10.5 | 32 |
| 30.4.15 | Shareholder Purchase Plan | 5,791,949 | 6 | 348 |
| 3.06.15 | Issue to employee | 37,676 | 5.6 | 2 |
| 3.06.15 | Issue to employee | 451,124 | 6.6 | 30 |
| | Less transaction costs of share issue | | | (10) |
| 16.01.16 | Issue to employee | 543,735 | 6.1 | 33 |
| 30.06.16 | Closing Balance | 101,622,228 | | 58,247 |

*****The 1 for 20 Share Consolidation was approved by shareholders at the EGM held on 28 August 2014.

**Voting Rights**
At a general meeting of the Company, every shareholder present in person or by an attorney, representative or proxy has one vote on a show of hands and one vote per ordinary share on a poll.

Options do not carry voting rights.

**17. RESERVES**

**(a) AFS revaluation reserve**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Opening AFS revaluation reserve | - | 2 |
| Net loss on AFS investments | - | (2) |
| Closing AFS revaluation reserve | - | - |
| | | |
| Opening share-based compensation reserve | 921 | 909 |
| Share based expense | 1 | 12 |
| Closing share-based compensation reserve | 922 | 921 |
| | 922 | 921 |

*AFS Revaluation reserve*

The AFS revaluation reserve is used to record increments and decrements in the fair value of investments held as available for sale.

*Share-based compensation reserve*

The share-based compensation reserve is used to record the value of share based payments provided to employees as part of their remuneration.

**(b) Recognised share-based payment expenses**

The expenses recognised for employee services received during the year is shown in the table below:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Payments by way of options to directors and employees under Employee Option Plan | 1 | 13 |
| | 1 | 13 |

*Golden Cross Resources Employee Option Plan*

The Golden Cross Resources Employee Option Plan was re-approved by shareholders at the general meeting of shareholders held on 28th November 2014. All employees (including directors and consultants) of Golden Cross Resources Ltd and its controlled entity are eligible to participate in the plan. Employee options vest as follows: on date of grant, 10%; after 1 year, 30%; after 2 years, 60%; after 3 years, 100%. The number of employee options on issue at any time must not exceed 5% of the issued capital of the Company at that time.

There were no employee options issued during the current year.

**18. STATEMENT OF CASH FLOWS RECONCILIATION**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Operating loss | (1,277) | (5,343) |
| Depreciation | 20 | 27 |
| Option Issue expense | 1 | 13 |
| Non-cash share issue | 33 | 64 |
| -Exploration and evaluation expenditure written off | 122 | 4,102 |
| Increase/(Decrease) in receivables and other assets | (105) | 286 |
| Increase/ (Decrease) in creditors | (26) | (133) |
| Increase/ (Decrease) in other provisions | 10 | (102) |
| Net cash outflow from operating activities | (1,222) | (1,086) |

## 19. RELATED PARTY DISCLOSURES

**Directors**

Disclosures relating to Directors are set out in the Remuneration Report, included in the Directors' Report. Refer to Note 13(a) for details in relation to the loan agreement entered into during the period with a director.

**Wholly Owned Group**

The wholly owned group consists of Golden Cross Resources Limited and its wholly-owned controlled entities, Golden Cross Operations Pty Ltd and King Eagle Resources Pty Ltd. Ownership interests in these controlled entities are set out in note 22. Golden Cross Resources Limited is the ultimate parent entity.

**Compensation of Key Management Personnel**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Short-term employee benefits (Salary/fee) | 551 | 802 |
| Post-employment benefits (Superannuation) | 32 | 37 |
| Non-monetary benefits (shares) | 33 | 46 |
| Other Non-monetary benefits | - | 9 |
| Long Service Leave expense | 1 | 1 |
| Option expense | 1 | 13 |
| | 618 | 908 |

**Loans to Key Management Personnel**

There were no loans to key management personnel or their related entities during the financial year.

**Other transactions and balances with Key Management Personnel and their related parties**

There was $28k outstanding to key management personnel at 30 June 2016.

**Amounts recognised as expenses**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Director's fees | 21 | - |
| Superannuation | 7 | - |
| | 28 | - |

**Aggregate amounts payable to Directors of the Company at 30 June 2016 relating to the above types of other transactions**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Current liabilities | 28 | - |

**Other transactions with related parties**

Refer to Note 13(a) for details in relation to the loan agreements entered into during the period with a HQ Mining Pty Ltd, the majority shareholder of the company.

## 20. COMMITMENTS AND CONTINGENCIES

Commitments in relation to non-cancellable operating leases contracted for are payable as follows:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Operating Leases** | | |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Not later than 1 year | 59 | 45 |
| Later than 1 year but not later than 2 years | 61 | - |
| Later than 2 years | 21 | - |
| Commitments not recognised in the financial statements | 141 | 45 |

$141,000 of the commitments relate to the North Sydney Office lease which expires 31st October 2018.

**Exploration Commitments**

In order to maintain current rights of tenure to exploration tenements, the economic entity has the following discretionary exploration expenditure requirements up until expiry of the leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Not later than one year | 542 | 579 |
| Later than one year but not later than 2 years | 66 | 226 |
| Later than 2 years | 44 | - |
| | 652 | 805 |

If the economic entity decides to relinquish certain leases and/or does not meet these joint venture or annual exploration expenditure obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

## 21. REMUNERATION OF AUDITORS

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Remuneration for audit or review of the accounts and consolidated accounts of Golden Cross Resources Limited and its controlled entities | 37 | 35 |
| | 37 | 35 |

## 22. PARENT ENTITY INFORMATION

| Information relating to Golden Cross Resources Limited: | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Current assets | 92 | 427 |
| Total assets | 12,072 | 12,953 |
| Current liabilities | 675 | 37 |
| Total liabilities | 675 | 37 |
| Issued capital | 58,247 | 58,214 |
| Accumulated losses | (47,772) | (46,219) |
| Share-based compensation reserve | 922 | 921 |
| Total shareholders' equity | 11,397 | 12,916 |
| Loss of the parent entity | (1,553) | (3,913) |
| Total comprehensive profit (loss) of the parent entity | (1,553) | (3,913) |
| Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries. | - | - |
| Details of any contingent liabilities of the parent entity. | - | - |
| Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment. | - | - |

Golden Cross Resources Limited has 100% ownership of the entities Golden Cross Operations and King Eagle Resources Pty Ltd.

## 23. SEGMENT REPORTING

The operating segments are reviewed and managed by Chief Operating Decision Makers based on the costs incurred for each exploration tenement throughout the reporting period, which are capitalised to operating segment assets. The operating segments identified by management are based on areas of interest. Expenditure incurred and capitalised for these tenements is disclosed in note 13.

Expenses included in the statement of comprehensive income which have not been capitalised to operating segment assets are unallocated as they are not considered part of the core operations of any segment.

| **2016: OPERATING SEGMENTS** | Copper Hill | Rest of Australia | Total |
|---|---|---|---|
| Reconciliation of segment net loss after tax to net loss before tax: | | | |
| Gain on Sale of Tenements | - | 100 | 100 |
| Exploration and Evaluation Impairment | - | (122) | (122) |
| Total segment net gain/( loss) after tax | | | (22) |
| Interest Revenue | | | 12 |
| Other Revenue | | | 205 |
| Share Based Payments | | | (1) |
| Depreciation | | | (20) |
| Other Costs | | | (1,451) |
| Realised loss on investments | | | - |
| Net loss before tax per statement of Comprehensive Income | | | (1,277) |

| **2015: OPERATING SEGMENTS** | Copper Hill | Rest of Australia | Total |
|---|---|---|---|
| Reconciliation of segment net loss after tax to net loss before tax: | | | |
| Gain on Sale of Tenements | - | - | - |
| Exploration and Evaluation Impairment | - | (4,102) | (4,102) |
| Total segment net gain/( loss) after tax | | | (4,102) |
| Interest Revenue | | | 40 |
| Other Revenue | | | - |
| Share Based Payments | | | (12) |
| Depreciation | | | (27) |
| Other Costs | | | (1,240) |
| Realised loss on investments | | | (2) |
| Net loss before tax per statement of Comprehensive Income | | | (5,343) |

| **2016: OPERATING SEGMENTS** | Copper Hill | Rest of Australia | Total | |
|---|---|---|---|---|
| **30 June 2016** | | | | |
| Capitalised Expenditure | 11,359 | 526 | - | 11,885 |
| Property Plant and Equipment | 407 | - | - | 407 |
| Current and non-current receivables | - | - | - | - |
| Total | 11,766 | 526 | - | 12,292 |
| **30 June 2015** | | | | |
| Capitalised Expenditure | 11,523 | 447 | - | 11,970 |
| Property Plant and Equipment | 423 | - | - | 423 |
| Current and non-current receivables | - | 198 | - | 198 |
| Total | 11,946 | 645 | - | 12,591 |

**Reconciliation to total assets:**

| | 2016 $,000 | 2015 $,000 |
|---|---|---|
| Total assets by reportable assets | 12,292 | 12,591 |
| Cash and cash equivalents | 112 | 438 |
| Other receivables | 245 | 244 |
| Prepayments | 23 | 33 |
| **Total assets per Statement of Financial Position** | **12,672** | **13,306** |

**GEOGRAPHICAL SEGMENTS**

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Non-current assets by geographical location: | | |
| Australia | 12,292 | 12,591 |
| **Total non-current assets as per Statement of Financial Position** | **12,292** | **12,591** |

## 24. SUBSEQUENT EVENTS

Mr Ian Buchhorn ceased to be a director on 13 July 2016 and Mr Mark Sykes resigned as Chairman and a director on 1 August 2016. Kenneth John Hellsten was appointed as a director and Chairman on 22 July 2016.

The Company entered into a loan agreement with controlling shareholder HQ Mining Resources Holdings Pty Ltd (HQM) on 4 August whereby HQM would provide $200,000 in two tranches from early August. The first tranche was received on 15 August with the remaining funds required by 14 September. On 16 September $10,000 was received and a further $40,000 was received on 29 September. $50,000 remains outstanding.

As announced to ASX on 28 July 2016, on 13 July 2016 the Company's subsidiary KER became aware that a receiver manager had been appointed to its joint venture partner in the Mt Isa Phosphate Joint Venture. KER subsequently advised that a default had occurred under the terms of the joint venture agreement, and asserted its rights under the agreement to acquire the partner's interest in the joint venture tenements. This right was disputed by the partner and no further discussion has ensued since August 2016. KER remains the 100% registered holder of the tenements.

HQM agreed on 10 September 2016 to extend its $150,000 loan due on 22 September 2016 for one year on same terms but it is now subject to an interest rate of 9.75%pa.

The Company received a letter of comfort from HQM on 12 September that it was desirous to provide loans of $100,000 per month until the end of December 2016.

On 29 September 2016 the Company entered into a sale agreement with Hellsten SF Pty Ltd atf KH & TH Superannuation Fund, entities controlled by Ken Hellsten a Director of the Company, for the sale and lease back of the Coppervale property for $368,000 with 3 years rental pre-paid ($90,000) as part of the sale. The Company retains a Right of First Refusal and an Option to Purchase right for a period of 3 years. The Company received $170,000 on 30 September 2016 and expects to receive the remaining funds progressively with the full amount transferred by 7 October 2016.

The director's loan made by Mr Ian Buchhorn to the Company of $150,000 on 22 September 2015 was repaid in full on 30 September 2016 using part of the funds obtained from the Coppervale sale and lease back.

**DIRECTORS' DECLARATION**

The Directors declare that:

In accordance with a resolution of the directors of Golden Cross Resources Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2016.

On behalf of the Board

Kenneth Hellsten

**Chairman**

Sydney, 30th September 2016

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# Auditor's Independence Declaration to the Directors of Golden Cross Resources Limited

As lead auditor for the audit of Golden Cross Resources Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Golden Cross Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Ryan Fisk
Partner
Sydney
30 September 2016

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# Independent auditor's report to the members of Golden Cross Resources Limited

## *Report on the financial report*

We have audited the accompanying financial report of Golden Cross Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 financial year.

## *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

## *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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in 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*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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## *Opinion*

In our opinion:

a. the financial report of Golden Cross Resources is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## *Emphasis of matter*

Without qualifying our opinion, we draw attention to Note 2 (a) in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. As a result of these matters, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

## *Report on the remuneration report*

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

## *Opinion*

In our opinion, the Remuneration Report of Golden Cross Resources for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ryan Fisk
Partner
Sydney
30 September 2016

## INTERESTS IN MINERAL TENEMENTS (As at 30 June 2016)

| | TENEMENT NAME | TENEMENT | km² | HOLDER (2) | % HOLDING | JOINT VENTURER/NOTES |
|---|---|---|---|---|---|---|
| **NEW SOUTH WALES** | | | | | | |
| **Orange Region** | Copper Hill | EL 6391 | 95 | GCO | 100 | |
| | Cargo | EL 5238 | 46 | GCO | 100 | |
| **Cobar Region** | Burra | EL 7389 | 15 | GCO | 100 | |
| | Emu Tank | EL 7320 | 46 | GCO | 100 | |
| | Kelly's Tank | EL 7323 | 69 | GCO | 100 | |
| | Kilparney Extended | EL 8270 | 152 | GCO | 100 | |
| | Delaney's Tank | EL 7322 | 17 | GCO | 100 | |
| | Four Mile South | EL 7970 | 3 | GCO | 100 | |
| **Southeast Lachlan** | Cullarin JV | EL 7954 | 146 | TRO | 78.8 | TRO (1) |
| | Quidong | EL 7989 | 98 | GCO | 100 | |
| **Sunny Corner** | Sunny Corner JV | EL 5964 | 109 | GCO | 49 | ARD (2) |
| **West Wyalong** | West Wyalong JV | EL 8340 | 43 | GCO | 49 | ARD (3) |
| **QUEENSLAND** | | | | | | |
| **Mount Isa** | Quita Creek | EPM 14905 | 276 | KER | 20 | |
| | Highland Plains | EPM 14906 | 300 | KER | 20 | PPO (4) |
| | Lily & Sherrin Creek | EPM 14912 | 300 | KER | 20 | |
| **SOUTH AUSTRALIA** | | | | | | |
| **Coober Pedy** | Oolgelima | EL 5594 | 626 | GCR | 100 | |
| | Stuart Range | EL 4966 | 226 | GCR | 100 | |
| | Codna Hill | EL 5572 | 281 | GCR | 100 | |
| **PANAMA** | El Cope | 2007-95 | 98 | GCRP | 90 | Application; MTI (5) |

**Notes**

E/EL/ELA = Exploration Permit/Licence/Application; EPM = Exploration Permit for Metals

Full names for abbreviations are as follows:

| | |
|---|---|
| GCO | Golden Cross Operations Pty Ltd, a wholly owned subsidiary of GCR |
| KER | King Eagle Resources Pty Limited, a wholly owned subsidiary of GCR |
| ARD | Argent Minerals Limited (ASX: ARD) |
| TRO | TriAusMin Minerals Limited, a wholly-owned subsidiary of Heron Resources Ltd (ASX:HRR) |
| PPO | Paradise Phosphate Limited (ASX: PPO), a subsidiary of Legen International Holdings Inc (OTC:LGDI) |
| GCRP | GCR Panama, Inc, a wholly owned subsidiary of GCR |
| MTI | MapIntec Technologies Inc. |

(1) TriAusMin earned an initial 62.5% interest by spending $200,000 to 13 September 2010. Further expenditure by TRO of $170,000 to July 2014 increased TRO's interest to 80% and diluted GCO's interest to 20%.

(2) Argent Minerals earned 51% in the Sunny Corner Joint Venture by spending $500,000 by 1 June 2011 in Stage 1. It earned 70% by additional expenditure of $186,000 (for a total expenditure of $686,000) by July 2013.

(3) Argent Minerals earned 51% in the West Wyalong Joint Venture by spending $750,000 by 1 June 2011. ARD may earn a further 19% to total 70% by additional expenditure of $550,000 (for a total expenditure of $1,300,000) by January 2016. Barrick Gold Corp holds a 2.5% net smelter return.

(4) Paradise Phosphate Limited (as assignee from Legend International Holdings Inc.) earned its 80% interest (in phosphate minerals only) by spending $3,000,000 by 7 December 2012, leaving KER with 20% interest. GCR has 100% rights to all other minerals and is free carried to a decision to mine for phosphate.

(5) MapIntec Technologies Inc., a Panamanian company, has a 10% interest free carried to a decision to mine.

## SHAREHOLDER INFORMATION

The shareholder information set out below was correct at 18 October 2016

### 1. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders are as follows:

| | | |
|---|---|---|
| HQ Mining Resources Holding Pty Ltd | 77,448,692 shares | 76.2 % |
| (includes: shares held by Yu Jin Investment Co Pte Ltd and 450,000 shares held by Business Universe Limited) | | |
| Mr Thanh Phuoc Lu & Mrs Thi Anh Tuyet Lu | 682,161 shares | 0.671% |
| Mr & Mrs M Price (M & M Superfund A/C) | 450,000 shares | 0.443% |

### 2. RESTRICTED SECURITIES

The Company has no restricted securities on issue.

### 3. VOTING RIGHTS

One vote for each ordinary share held, in accordance with the Company's constitution.

### 4. DISTRIBUTION OF SHARES as at 18 October 2016

| Holdings Range | Holders | Total Held | % |
|---|---|---|---|
| 1-1,000 | 691 | 286,789 | 0.282 |
| 1,001-5,000 | 734 | 2,052,376 | 2,020 |
| 5,001-10,000 | 252 | 1,937,021 | 1.906 |
| 10,001-100,000 | 336 | 10,184,637 | 10,022 |
| 100,001- | 50 | 87,161,404 | 84,770 |
| **Totals** | **2,063** | **101,622,227** | **100.000** |

**a)** There were 1,755 holders of less than a marketable parcel of fully paid shares (5,237,568 shares), being less than $500 worth based on the closing price of 0.035 cents per share on 18 October 2016. They amounted to 101,622,227 shares in total, or 5.15% of the total issued share capital of the Company.

**b)** The percentage holding of the twenty largest holders of shares was 81.5%.

### 6. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest registered holders of shares are listed below, as at 18 October 2016

| | Name | No. Held | % |
|---|---|---|---|
| 1 | HQ MINING RESOURCES PTY LTD | 31,265,702 | 30.767% |
| 2 | HQ MINING RESOURCES HOLDING PTY LTD | 22,745,957 | 22.383% |
| 3 | H Q MINING RESOURCES HOLDING PTY LTD | 16,942,074 | 16.672% |
| 4 | YU JIN INVESTMENT CO. PTE LTD | 6,044,959 | 5.948% |
| 5 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 783,334 | 0.771% |
| 6 | MR THANH PHUOC LU & MRS THI ANH TUYET LU | 682,161 | 0.671% |
| 7 | MR MALCOLM THOMAS PRICE& MRS MAYUMI PRICE <M & M SUPERFUND A/C> | 450,000 | 0.443% |
| 8 | KANGSAV PTY LIMITED | 438,823 | 0.432% |
| 9 | TECHNICA PTY LTD | 424,517 | 0.418% |
| 10 | NATIONAL NOMINEES LIMITED | 398,520 | 0.392% |
| 11 | FWMI PTY LTD | 322,602 | 0.317% |
| 12 | GUILFOYLE INVESTMENTS PTY LTD | 300,000 | 0.295% |
| 13 | M R BRYANT INVESTMENTS PTY LTD | 291,000 | 0.286% |
| 14 | METALLIC RESOURCES PTY LTD | 276,886 | 0.272% |
| 15 | MR RODNEY DAVID ELVISH | 269,000 | 0.265% |
| 16 | MR GEOFFREY RAYMOND MARSHALL | 261,667 | 0.257% |
| 17 | MRS JENNIFER ANNE TIMMS | 250,000 | 0.246% |
| 18 | MISS QIAN WANG | 250,000 | 0.246% |
| 19 | AURCAY HOLDINGS INC | 230,000 | 0.226% |
| 20 | MR JIN MING SHI | 229,780 | 0.226% |
| | | 82,856,982 | 81.534% |
| | **Total of Securities** | **101,622,227** | |

### 6. EMPLOYEE OPTIONS

The last of the unlisted employee options expires on 28 November 2017.