LUMINUS SYSTEMS

Annual Report 15

Luminus Systems Limited and its Controlled Entities ABN 30 103 228 271
Financial Statements for the year ended 31 December 2015

CORPORATE INFORMATION

AUSTRALIAN BUSINESS NUMBER

30 103 228 271

DIRECTORS

S Catalano
I Pattison
G Mueller

COMPANY SECRETARY

I Pattison

REGISTERED OFFICE

349 Collins Street
Melbourne, Victoria, 3000
Australia

PRINCIPAL PLACE OF BUSINESS

349 Collins Street
Melbourne, Victoria, 3000
Australia

Tel: + 61 3 8614 8401
Fax: + 61 3 8614 8410

OTHER OFFICES

Eggmann Stojan Rohrer & Partner
Bellerivestrasse 5 CH-8008, Zurich
Switzerland

Tel: + 41 44 421 40 50
Fax: + 41 44 421 40 55

SHARE REGISTRY

Computershare Investor Services
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067

Tel: + 61 3 9415 4000
Fax: + 61 3 9473 2500

AUDITORS

Nexia Melbourne Audit Pty Ltd
(formerly known as Hayes Knight Audit Pty Ltd)

Level 12, 31 Queen Street
Melbourne, Victoria, 3000

Tel: +61 3 8613 8888
Fax: +61 3 8613 8800

SOLICITORS

Baker & McKenzie
Level 19, 181 William Street
Melbourne, Victoria, 3000

Tel: +61 3 9617 4200
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INTERNET ADDRESS

www.luminussystems.com

DIRECTORS' REPORT

For The Year Ended 31 December 2015

The Directors submit their report together with the consolidated financial statements for the year ended 31 December 2015.

DIRECTORS

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

Director	Qualifications/Experience	Interests in ordinary shares at the reporting date
S Catalano B.Jurisprudence, LLB, FITA Chief Executive Officer and Chairman Age: 51 Residence: Melbourne, Australia	A lawyer, Mr Catalano has broad experience across business, the law, tax and investment banking. He brings broad leadership, management and international business experience to the Board. He was a former Head of the Asia Pacific Securities Financing and Derivative business for Donaldson Lufkin & Jenrette and a Director of Credit Suisse First Boston's Alternative Capital Group.	21,436,462 (20,096,655 shares of which are a common interest with I Pattison)
I Pattison B.COM, LLB, CA, FITA Chief Financial Officer and Company Secretary Age: 48 Residence: Melbourne, Australia	A lawyer and chartered accountant, Mr Pattison has broad experience across business, the law, tax and investment banking. He brings broad leadership, management and international business experience to the Board. He was a former Senior Executive of Paloma Partners and Donaldson Lufkin & Jenrette.	22,670,428 (20,096,655 shares of which are a common interest with S Catalano)
G Mueller B.Sc (Applied Science), MS (Electrical Engineering) and MBA Non-executive director Age: 63 Residence: Vienna, Virginia, United Sates of America	A trained engineer, Mr Mueller brings to the Board his analytical skills together with his practical understanding of operational issues and a distinguished career in technology, computing and communications. Previously he held senior executive positions in Global Services Network Inc, Mitron, Novell, Xerox and Eastman Kodak.	247,425

DIRECTORS' MEETINGS

During the financial year there were 10 official Board meetings of the Company. The meetings were attended by all of the Company's Directors (either in person or via teleconference).

PRINCIPAL ACTIVITIES

The Company's core business activity is to invest in a diverse range of sectors, including direct investment in and development of projects in the mining and resources sector, principally but not exclusively by way of the holding of financial assets.

DIRECTORS' REPORT

For The Year Ended 31 December 2015

REVIEW AND RESULTS OF OPERATIONS

Overall performance of the Group for the full year ended 31 December 2015 was a trading loss of $615,447 (2014: $504,988).

Investments and Trading Performance

There was no trading activity conducted by the Company during the year due to market volatility.

Minerals Exploration and Development Performance

The exploration activities conducted during the year includes the review of Jack's Creek graphite mine near Collinsville, reassessment and reinterpretation of open file geophysics and geochemistry data as well as geological mapping and limited rock chip sampling of targets in the Mt Haden and Mt Isa area. The exploration and evaluation expenditure for the year ended 31 December 2015 was $272,884 (2014: $177,846), of which $143,094 (2014: $48,213) was expensed in profit or loss and $129,790 (2014: $129,633) was capitalised.

EARNINGS PER SHARE

The basic and diluted earnings per share for the year were loss of 1.3737 cents (2014: loss of 1.1142 cents).

DIVIDEND PAID OR RECOMMENDED

The Board is not proposing to pay a dividend for the year ended 31 December 2015.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs during the current reporting period.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, the inclusion of information relating to likely developments in the operations of the Company, other than the comments appearing in the Review and Results of Operations, is likely to prejudice the interests of the Company and therefore such information has not been included in this report.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstances occurring after the balance date that, in the opinion of the directors of the Company, has significantly affected, or may significantly affect the consolidated entity's operations, results, or state of affairs in future financial years.

ENVIRONMENTAL ISSUES

The Group is subject to environmental regulation in respect to its mining and exploration activities associated with Duyfken Assets. The exploration activities operate under various licenses and permits under the laws of the Commonwealth, States and Territories.

Compliance with the Group's licenses and permits is monitored on a regular basis by senior management and all reportable environmental non-compliances and significant incidents are reviewed by the Board of Directors.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has not indemnified any current or former officers against any liabilities and has not paid premiums in respect of a contract insuring all the directors and officers against legal costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

DIRECTORS' REPORT

For The Year Ended 31 December 2015

REMUNERATION REPORT

The remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purpose of this report, key management personnel ('KMP') of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the three executives in the Company and the Group receiving the highest remuneration.

For the purpose of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Company and the Group.

Details of key management personnel of the Company and the Group.

Directors and executives

S Catalano	Executive Chairman
I Pattison	Director
G Mueller	Non-executive director

There were no changes of the CEO or KMP after reporting date and before the date the financial statements was authorised for issue.

Remuneration policy

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The appropriateness of remuneration packages is reviewed annually given trends in comparative companies.

The remuneration structure explained below is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The remuneration structure results in and takes into account:

(a) The capability and experience of the directors and senior executives;

(b) The overall level of remuneration for each director and executive;

(c) The executives' ability to control the relevant segment/s' performance; and

(d) The amount of incentives within each directors and senior executives remuneration.

Remuneration consists of the following key elements:

(a) Fixed remuneration (base salary, superannuation and non-monetary benefits);

(b) Variable remuneration

  (i) short-term incentive (STI); and

  (ii) long-term incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each specified directors and executives is set out in Note 24 to the Financial Statements.

Fixed remuneration

Fixed remuneration consists of base remuneration as well as employer contributions to superannuation funds and other government required payments. Remuneration levels are reviewed annually through a process that considers individual, segment and overall performance of the consolidated entity. In addition and as required competitive remuneration levels in the market place are taken into consideration.

Variable remuneration

Short-term incentive (STI)

The objective of the STI program is to link the achievement of the Group's specific performance hurdles. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the Group's performance targets and such that the cost to the Group is reasonable in the circumstances.

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of Key Performance Indicators (KPI) covering financial and non-financial, corporate and individual measures of performance. Typically included are measures such as contribution to net profit after tax, customer service, risk management, product management and leadership/team contribution. These measures were chosen as they represent the key drivers for short-term success of the business and provide a framework for delivering long-term value.

DIRECTORS' REPORT

For The Year Ended 31 December 2015

REMUNERATION REPORT (CONTINUED)

Long-term incentive (LTI)

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long-term performance hurdles.

The Company's constitution allows for the introduction of an Employee Share Scheme, which may be utilised in the future if deemed appropriate.

Further details of the remuneration of specified Directors and executives can be found in Note 24 to the Financial Statements.

NON-AUDIT SERVICES

The Directors note that the Company's auditor has not provided non-audit services during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditors Independence Declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 6.

Signed in accordance with a resolution of the directors.

S CATALANO	**I PATTISON**
Executive Chairman	Director

Dated at Melbourne, this 3rd day of May 2016

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Auditor's Independence Declaration
Luminus Systems Limited

As auditor for the audit of Luminus Systems Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Nexia

Nexia Melbourne Audit Pty Ltd

Melbourne

Geoff Parker

Director

Dated this 3 day of May 2016

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2015

	Notes	CONSOLIDATED 2015 $	CONSOLIDATED 2014 $	PARENT 2015 $	PARENT 2014 $
CONTINUING OPERATIONS					
Revenue					
Interest income		**1**	579	**–**	564
Total revenue		**1**	579	**–**	564
Interest expense		**(311,079)**	(264,832)	**(311,079)**	(264,832)
Salary and employee benefit expenses		**(122,847)**	(145,270)	**(122,847)**	(145,270)
Provisions reversed/(charged)		**226**	361	**226**	(3,339)
Other expenses	4	**(181,748)**	(95,826)	**(150,182)**	(50,168)
Total expenses		**(615,448)**	(505,567)	**(583,882)**	(463,609)
Loss from continuing operations before income tax		**(615,447)**	(504,988)	**(583,882)**	(463,045)
Income tax (expense)/benefit	5	**–**	–	**–**	–
Loss from continuing operations		**(615,447)**	(504,988)	**(583,882)**	(463,045)
DISCONTINUED OPERATION					
Net profit/(loss) after tax from discontinued operations	7(a)	**(9,931)**	(1,448)	**–**	–
Net loss attributable to members of the parent company		**(625,378)**	(506,436)	**(583,882)**	(463,045)
OTHER COMPREHENSIVE INCOME					
Foreign currency translation		**7,470**	(1,049)	**–**	–
Other comprehensive income/(loss) net of tax		**7,470**	(1,049)	**–**	–
Total comprehensive income/(loss) attributable to members of the parent company		**(617,908)**	(507,485)	**(583,882)**	(463,045)

THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

STATEMENT OF FINANCIAL POSITION

For The Year Ended 31 December 2015

	Notes	CONSOLIDATED		PARENT	
		2015	2014	**2015**	2014
		$	$	**$**	$
Current assets					
Cash and cash equivalents	8	**14,241**	16,570	**14,070**	13,940
Receivables	9	**7,789**	1,181	**5,805**	179
Other assets	10	**59,842**	47,855	**–**	–
Total current assets		**81,872**	65,606	**19,875**	14,119
Non-current assets					
Deferred tax assets	5	**–**	–	**–**	–
Other financial assets	12	**–**	–	**–**	–
Property, plant & equipment	11	**11,625**	13,286	**–**	–
Loans and advances	13	**–**	–	**1,683,003**	1,504,129
Investments in subsidiaries	15	**–**	–	**10,332,104**	10,332,104
Intangible assets	14	**11,700,858**	11,571,068	**–**	–
Total non-current assets		**11,712,483**	11,584,354	**12,015,107**	11,836,233
Total assets		**11,794,355**	11,649,960	**12,034,982**	11,850,352
Current liabilities					
Payables	16	**179,693**	184,073	**104,620**	102,791
Loan and borrowings	17	**3,837,536**	3,111,388	**3,837,536**	3,111,388
Provisions	18	**75,799**	68,628	**75,799**	68,628
Total current liabilities		**4,093,028**	3,364,089	**4,017,955**	3,282,807
Non-current liabilities					
Provisions	18	**290,000**	290,000	**–**	–
Total non-current liabilities		**290,000**	290,000	**–**	–
Total liabilities		**4,383,08**	3,654,089	**4,017,955**	3,282,807
Net assets		**7,411,327**	7,995,871	**8,017,027**	8,567,545
Shareholder's equity					
Issued capital	20	**24,338,295**	24,338,295	**24,338,295**	24,338,295
Reserves	21	**(208,881)**	(249,715)	**80,622**	47,258
Accumulated losses		**(16,718,087)**	(16,092,709)	**(16,401,890)**	(15,818,008)
Total shareholder's equity		**7,411,327**	7,995,871	**8,017,027**	8,567,545
Total Equity		**7,411,327**	7,995,871	**8,017,027**	8,567,545

THE STATEMENT OF FINANCIAL POSITION SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

STATEMENT OF CASHFLOW

For The Year Ended 31 December 2015

	Notes	CONSOLIDATED		PARENT	
		2015	2014	**2015**	2014
		$	$	**$**	$
Cash flow from operating activities					
Receipts from customers		**226**	361	**226**	361
Payments to suppliers		**(206,150)**	(216,574)	**(154,166)**	(53,973)
Payments to personnel		**(82,125)**	(80,233)	**(82,125)**	(80,233)
Net interest received		**1**	579	**–**	564
Net cash outflow from operating activities	22(b)	**(288,048)**	(295,867)	**(236,065)**	(133,281)
Cash flow from investing activities					
Payment for exploration and evaluation assets		**(129,350)**	(129,638)	**–**	–
Loan advanced to controlled entities		**–**	–	**(178,874)**	(292,382)
Net cash outflow from investing activities		**(129,350)**	(129,638)	**(178,874)**	(292,382)
Cash flow from financing activities					
Net proceeds from borrowings		**415,069**	423,875	**415,069**	423,875
Net proceeds from issue of equity		**–**	700	**–**	700
Net cash inflow from financing activities		**415,069**	424,575	**415,069**	424,575
Net increase/(decrease) in cash and cash equivalents		**(2,329)**	(930)	**130**	(1,088)
Cash and cash equivalents at beginning of the year		**16,570**	17,500	**13,940**	15,028
Cash and cash equivalents at the end of the year	22(a)	**14,241**	16,570	**14,070**	13,940

THE STATEMENT OF CASH FLOW SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2015

	Issued Capital $	Retained Earnings $	Other Reserves $	Total $
CONSOLIDATED				
2015				
As at 1 January 2015	**24,338,295**	**(16,092,709)**	**(249,715)**	**7,995,871**
Net loss for the year	**–**	**(625,378)**	**–**	**(625,378)**
Other comprehensive income				
Foreign currency translation differences	**–**	**–**	**7,470**	**7,470**
Total other comprehensive income	**–**	**–**	**7,470**	**7,470**
Transactions with owners in their capacity as owners				
Share-based payment transactions	**–**	**–**	**33,364**	**33,364**
Total transactions with owners in their capacity as owners	**–**	**–**	**33,364**	**33,364**
As at 31 December 2015	**24,338,295**	**(16,718,087)**	**(208,881)**	**7,411,327**
2014				
As at 1 January 2014	24,306,070	(15,586,273)	(272,170)	8,447,627
Net loss for the year	–	(506,436)	–	(506,436)
Other comprehensive income				
Foreign currency translation differences	–	–	(1,049)	(1,049)
Total other comprehensive income	–	–	(1,049)	(1,049)
Transactions with owners in their capacity as owners				
Share-based payment transactions	–	–	23,504	23,504
Share options exercised	32,225	–	–	32,225
Total transactions with owners in their capacity as owners	32,225	–	23,504	55,729
As at 31 December 2014	24,338,295	(16,092,709)	(249,715)	7,995,871

THE STATEMENT OF CHANGES IN EQUITY SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2015

	Issued Capital $	Retained Earnings $	Other Reserves $	Total $
PARENT				
2015				
As at 1 January 2015	**24,338,295**	**(15,818,008)**	**47,258**	**8,567,545**
Net loss for the year	**–**	**(583,882)**	**–**	**(583,882)**
Other comprehensive income				
Available-for-sale reserve movement	**–**	**–**	**–**	**–**
Total other comprehensive income	**–**	**–**	**–**	**–**
Transactions with owners in their capacity as owners				
Share-based payment transactions	**–**	**–**	**33,364**	**33,364**
Share options exercised	**–**	**–**	**–**	**–**
Total transactions with owners in their capacity as owners	**–**	**–**	**33,364**	**33,364**
As at 31 December 2015	**24,338,295**	**(16,401,890)**	**80,622**	**8,017,027**
2014				
As at 1 January 2014	24,306,070	(15,354,963)	23,754	8,974,861
Net loss for the year	–	(463,045)	–	(463,045)
Other comprehensive income				
Available-for-sale reserve movement	–	–	–	–
Total other comprehensive income	–	–	–	–
Transactions with owners in their capacity as owners				
Share-based payment transactions	–	–	23,504	23,504
Share options exercised	32,225	–	–	32,225
Total transactions with owners in their capacity as owners	32,225	–	23,504	55,729
As at 31 December 2014	24,338,295	(15,818,008)	47,258	8,567,545

THE STATEMENT OF CHANGES IN EQUITY SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Luminus Systems Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 349 Collins Street, Melbourne, Victoria, Australia. The Company is a for-profit entity and primarily involved in the investment and trading in both listed and unlisted securities in Australasia and direct investment in and development of projects in the mining and resources sector.

Basis of preparation

The financial statements is presented in Australian dollars and have been prepared in accordance on the historical cost basis, except for the following which is measured at fair value:

- Derivative financial instruments
- Financial instruments at fair value through profit or loss
- Available-for-sale financial assets

Prior year comparative information has been reclassified wherever appropriate to enhance comparability and understanding of the financial statement.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Adoption of new and revised accounting standards

From 1 January 2015, the Group has adopted all of the new and revised Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2015. Adoptions of these standards and interpretations did not have any effect on the financial position or performance of the Group.

Statement of compliance

The financial statements are general-purpose financial statements which has been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 3rd May 2016.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its controlled entities, where it is determined that there is a capacity to control, as at 31 December 2015. Controlled entities are all those entities over which the Company has the power to govern directly or indirectly the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. A list of subsidiaries and controlled entities is contained in Note 15 to the financial statements.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in a business combination is measured at fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus cost directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as the date of exchange. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at their acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating segment – Refer Note 26

An operating segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. Refer to Note 26 for more information on the operating segments of the Group.

Property, plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The gain or loss on the disposal of plant and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is included in the results in the year of disposal.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation methods adopted for each class of depreciable assets are:

Category	Depreciation Method
Plant and equipment	Straight line over life of asset
Furniture and fixture	Straight line over life of asset
Mine property and development	Units of mineral extracted over life of mine

The mine property and development are amortised when commercial production commences on a unit of production basis over the estimated economic reserve of the mine.

Intangible assets

Goodwill

Goodwill acquired in business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment losses recognized for goodwill are not subsequently reversed

Exploration and evaluation assets

Exploration and evaluation expenditure is recognised in profit or loss as incurred, unless the expenditure is expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, in which case it is recognised as an asset on an area of interest basis.

Exploration and evaluation assets are classified as tangible (as part of property, plant and equipment) or intangible according to the nature of the assets. As the assets are not yet ready for use they are not depreciated. Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of the impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating units are not larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property and development assets within property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

For the purpose of the Statement of Cashflow, cash includes:

- Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- Investments in money market instruments with less than 14 days to maturity.

Foreign Currency

Functional and presentation currency

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

Transactions and balances

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

Foreign operations

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

(i) assets and liabilities of each foreign operation are translated at the rates of exchange ruling at reporting date;

(ii) revenue and expenses of each foreign operation are translated at the average exchange rate for the year, unless this average is not a reasonable approximation of the rate prevailing on transaction date, in which case revenue and expenses are translated at the exchange rate ruling at transaction date; and

(iii) all resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from borrowings and other currency instruments designated as hedges of net investment in foreign operations, are taken to the foreign currency translation reserve. When a foreign operation is disposed, such exchange differences are recognised in profit or loss as part of the gain or loss on sale..

Investments and Other Financial Assets

Financial assets in the scope of AASB 9 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Trading securities and other financial instruments acquired principally for the purpose of selling in the short-term or which are a part of a portfolio which is managed for short-term profit-taking are initially recognised and subsequently measured in the statement of financial position at their fair value. Changes in the fair value (gains or losses) of these financial instruments are recognised in profit or loss in the period in which they occur.

For listed securities, fair value is determined by reference to the closing price for the relevant security at the reporting date. Where securities are unlisted, an estimate of market value is determined by reference to the current market value of another instrument that is substantially the same, or is calculated based on the expected cash flows of the underlying net asset base of the security.

Held-to-maturity investments

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 that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost, and gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale assets

Available-for-sale assets comprise non-derivative financial assets which the Group designates as available-for-sale but which are not deemed to be held principally for trading purposes, and may include equity investments, certain loans and advances, and fixed term securities. They are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity, the 'Available-for-sale revaluation reserve'. When the asset is sold the cumulative gain or loss relating to the asset is transferred to profit or loss. Where there is objective evidence of impairment on an available-for-sale asset, the cumulative loss related to that asset is removed from equity and recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable. They include swaps, forward rate agreements, options and combinations of these instruments. Derivative financial instruments are entered into for trading purposes. Derivative financial instruments are recognised initially at fair value with gains or losses from subsequent measurement at fair value being recognised in profit or loss.

All gains and losses from changes in the fair value of derivatives that are not designated in a hedging relationship but are entered into to manage the interest rate and foreign exchange risk of funding instruments are recognised in profit or loss.

Employee Benefits

Annual leave

Liabilities for annual leave are recognised 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.

Long service leave

The liability for long service leave is recognised and measured as the present value of the expected future payments to be made in respect of services provided by employee up to the reporting date. Expected future payments are discounted using market yield at the reporting date on national government bond with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions

The fair value of share-based payment transactions are recognised as an employee benefit expense with a corresponding increase in share options reserve. The fair value is measured at grant date and recognised as an expense over the period during which the employees become unconditionally entitled to the share-based payment transactions.

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the share-based payment transactions, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share-based payment transaction. Management judgment, estimates and assumptions may be used where market inputs are unavailable.

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of share-based payment transactions that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

The fair value of the share-based payment transactions do not necessarily relate to the actual values that may be received in future by the recipients. Information relating to these schemes is set out in Note 28.

Revenue recognition

Revenue is recognized and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will follow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of the risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has being determined, the price is fixed and generally title has passed.

Rendering of services

Revenue from the installation and ongoing maintenance services is recognized by reference to the stage of completion of a contract or contracts in progress at balance date or at the time of completion of the contract and billing to the customer.

When the contract outcome cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Interest income is recognised in profit or loss as they accrue, using the effective interest method.

Fees and commissions that are integral to the effective interest rate of a financial asset or liability are included in the determination of the effective interest rate. Fees and commissions that relate to the execution of a significant act (i.e. placement and underwriting fees) are recognised when the significant act has been completed.

Dividend income is recognised when the right to receive the payment is established and option premiums are recognised on the expiry or exercise of options

All revenue is stated net of the amount of goods and services tax (GST) or value added tax (VAT).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may be reversed.

Goods and Services Tax (GST) and Value Added Taxes (VAT)

Revenues, expenses and assets are recognised net of the amount of GST or VAT style taxes, except where the amount of GST or VAT style Revenues, expenses and assets are recognised net of the amount of GST or VAT style taxes, except where the amount of GST or VAT style taxes incurred is not recoverable from the Australian Taxation Office or the relevant revenue authority. In these circumstances the GST or VAT style taxes is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are presented inclusive of GST or VAT.

Finance Costs

Finance costs are recognized as an expense when incurred.

Income Tax

The Group adopts the 'balance sheet liability' method of tax-effect accounting in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets (other than tax losses) and liabilities are measured at the tax rates that are expected to apply to the period when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those in relation to taxable temporary differences arising from goodwill.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, 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 judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(ii) Classification of and valuation of investments and other financial assets

The Group has classified investments in listed securities (i.e. shares and fixed interest securities) as 'financial assets at fair value through profit or loss' held for trading purposes, and movements in fair value are recognised in profit or loss. The fair values of listed securities are determined by references to published price quotation in an active market.

The fair values of unlisted securities not traded in an active market are determined by the use of management judgment, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates, and such estimates are reviewed on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

2. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(iii) Mineral reserves and resources estimates

The estimated quantities of mineral reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity process, future capital requirements and future operating performance. Changes in reported reserves and resources estimates may impact the carrying value of property, plant and equipment and intangible assets.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instrument comprises receivables, payables, loans and advances, trading securities, derivative instruments, Available-for-sale investments, securities borrowed and loaned, cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations and pursue its trading and investment strategies. The trading securities of the Group were subject to a securities lending arrangement with a provider of primebrokerage services, including margin services. The Group also enters into derivative transactions, principally contract for difference and equity swaps for the purpose of managing the equity price risk arising from the Group's trading and investment activities.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

As a result of the Group's investment operations in the United States and Switzerland, movements in the USD/AUD and CHF/AUD exchange rate can affect the Group's financial position. The Group seeks to mitigate the effect of these currency exposures by matching assets and liabilities in the same currency.

Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from certain derivative instruments and securities lending arrangement, the Group's exposure to credit risk arises from default of the counterpart, with a maximum exposure equal to the carrying amount of these instruments. The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the statement of financial position.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and loans from financial institutions. The Group's policies for determining the level of debt entered into are examined on a monthly basis in conjunction with financiers.

Financial liabilities

The following are the contractual maturities of the Group's financial liabilities as at 31 December 2015.

	CONSOLIDATED				PARENT			
		Contractual amount				Contractual amount		
2015	**Carrying amount $**	**<12 months $**	**1 - 5 years $**	**>5 years $**	**Carrying amount $**	**<12 months $**	**1 - 5 years $**	**>5 years $**
Trade payables	**42,271**	**42,271**	–	–	**19,112**	**19,112**	–	–
Accrued expenses	**117,065**	**117,065**	–	–	**65,150**	**65,150**	–	–
Other payables	**20,357**	**20,357**	–	–	**20,358**	**20,358**	–	–
Secured loans and borrowings	**3,837,536**	**3,837,536**	–	–	**3,837,536**	**3,837,536**	–	–
	4,017,229	**4,017,229**	–	–	**3,942,156**	**3,942,156**	–	–
2014								
Trade payables	46,650	46,650	–	–	17,282	17,282	–	–
Accrued expenses	117,065	117,065	–	–	65,150	65,150	–	–
Other payables	20,358	20,358	–	–	20,359	20,359	–	–
Secured loans and borrowings	3,111,388	3,111,388	–	–	3,111,388	3,111,388	–	–
	3,295,461	3,295,461	–	–	3,214,179	3,214,179	–	–

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group has notional exposure to interest rate risk with respect of the payable under the loans and advances. The interest rate is determined as the base rate for the relevant interest period plus a margin that is agreed with the counterparty from time to time. The Group's exposure to market risk for changes in interest rates is minimal due to short term debt obligation. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

		CONSOLIDATED			PARENT		
Interest rate risk sensitivity		**Increase of 25 bps**	**Decrease of 25 bps**	**Increase of 100 bps**	**Increase of 25 bps**	**Decrease of 25 bps**	**Increase of 100 bps**
		$	**$**	**$**	**$**	**$**	**$**
2015	Net profit/(loss)	**(9,558)**	**9,558**	**(38,233)**	**(9,559)**	**9,559**	**(38,235)**
	Equity increase/(decrease)	**(9,558)**	**9,558**	**(38,233)**	**(9,559)**	**9,559**	**(38,235)**
2014	Net profit/(loss)	(7,737)	7,737	(30,948)	(7,744)	7,744	(30,974)
	Equity increase/(decrease)	(7,737)	7,737	(30,948)	(7,744)	7,744	(30,974)

Capital management

The objective of the Group's capital management strategy is to maintain adequate liquidity to support its business and to maximise the return for its shareholders. The Group manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or amend the capital structure, the Group may adjust the amount of dividends paid to shareholders, sell assets to reduce debt, issue new shares or undertake other suitable capital management initiatives.

The Group monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt divided by adjusted equity. Adjusted net debt is defined as total liabilities less cash and cash equivalents. Adjusted equity comprised all components of equity other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The Group's policy is to maintain the debt to equity ratio below 2.00. The Group's adjusted net debt to equity ratio at the end of the reporting period was as follows:

	CONSOLIDATED		PARENT	
	2015 **$**	2014 $	**2015** **$**	2014 $
Total liabilities	**4,383,028**	3,654,089	**4,017,955**	3,282,807
Less: cash and cash equivalents	**(14,241)**	(16,570)	**(14,070)**	(13,940)
Net debt	**4,368,787**	3,637,519	**4,003,885**	3,268,867
Total equity	**7,411,327**	7,995,871	**8,017,027**	8,567,545
Less: amounts accumulated in equity relating to cash flow hedges	**–**	–	**–**	–
Adjusted equity	**7,411,327**	7,995,871	**8,017,027**	8,567,545
Net debt to adjusted equity ratio	**0.59**	0.45	**0.50**	0.38

There were no changes in the Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	$	$	**$**	$

4. EXPENSES

Other expenses				
Legal and consultant services	**(108,911)**	–	**(108,911)**	–
Audit services	**(25,000)**	(25,000)	**(25,000)**	(25,000)
Share registry costs	**(9,260)**	(12,442)	**(9,260)**	(12,442)
Tenement administration	**(32,133)**	(36,257)	**–**	–
Other operating expenses	**(6,444)**	(22,127)	**(7,011)**	(12,726)
	(181,748)	(95,826)	**(150,182)**	(50,168)

5. INCOME TAX

Reconciliation of income tax expense to pre-tax net profit				
Loss from continuing operations before income tax	**(615,447)**	(504,988)	**(583,882)**	(463,045)
Profit/(loss) from discontinued operations before income tax	**(9,931)**	(1,448)	**–**	–
Total profit/(loss) before income tax	**(625,378)**	(506,436)	**(583,882)**	(463,045)
Income tax expense/(benefit) at the Australian tax rate of 30%	**(187,613)**	(151,931)	**(175,165)**	(138,914)
Non deductible expenditure:				
Non deductible fines & penalties	**255**	22	**255**	22
Entertainment expenses	**–**	–	**–**	–
Deferred tax relating to origination and reversal of temporary differences				
Current year tax losses not recognised	**205,093**	176,409	**192,645**	163,392
Change in unrecognised deductible temporary differences	**(17,735)**	(24,500)	**(17,735)**	(24,500)
Income tax expense/(benefit) reported in the statement of profit or loss and other comprehensive income	**–**	–	**–**	–
IIncome tax expense/(benefit) attributable to discontinued operations	**–**	–	**–**	–
	–	–	**–**	–

Deferred tax assets and liabilities				
Recognised				
Deferred tax assets	**–**	–	**–**	–
Unrecognised				
Deferred tax assets	**9,563,238**	9,375,880	**4,852,661**	4,677,751

Deferred tax assets relating to carried forward tax losses have only been brought to account at reporting date to the extent that it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	$	$	**$**	$
6. DIVIDENDS				
Dividends paid, declared or recommended during the year:				
Final dividend proposed or paid	**–**	–	**–**	–
Interim dividend proposed or paid	**–**	–	**–**	–
	–	–	**–**	–
Franking account balance				
The amount of franking credits available for the subsequent financial year are as follows:				
Balance of franking account at the end of the year at 30% (2014: 30%)	**24,249**	24,249	**24,249**	24,249
	24,249	24,249	**24,249**	24,249

7. DISCONTINUED OPERATIONS

(a) Financial performance of discontinued operations

The results of the discontinued operations for the year are presented below:

	CONSOLIDATED	
	2015	2014
	$	$
Revenue	**–**	–
Expenses	**(9,931)**	(1,448)
Profit /(loss) before income tax from discontinued operations	**(9,931)**	(1,448)
Income tax (expense)/benefit	**–**	–
Profit /(loss) after income tax from discontinued operations	**(9,931)**	(1,448)

(b) Assets and liabilities of discontinued operations

The major classes of assets and liabilities of discontinued operations are as follows:

Assets		
Cash and cash equivalents	**170**	2,630
Other assets	**–**	–
	170	2,630
Liabilities		
Trade and other payables	**62,121**	62,121
Provisions	**290,000**	290,000
	352,121	352,121
Net assets/(liabilities) attributable to discontinued operations	**(351,951)**	(349,491)

c) Cash flow of discontinued operations

The net cash flow of discontinued operations are as follows:

Operating activities	**(2,460)**	1,203
Investing activities	**–**	–
Financing activities	**–**	–
Net cash inflow/(outflow)	**(2,460)**	1,203

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	$	$	**$**	$

8. CASH AND CASH EQUIVALENTS

Cash at bank	**14,241**	16,570	**14,070**	13,940
	14,241	16,570	**14,070**	13,940

9. RECEIVABLES

Trade receivables	**–**	–	**–**	–
Other receivables	**2,050,373**	2,043,765	**1,145,484**	1,139,858
Provisions	**(2,042,584)**	(2,042,584)	**(1,139,679)**	(1,139,679)
	7,789	1,181	**5,805**	179

Other receivables

Balance represents amounts owing from Primebroker Securities Limited (Receivers & Managers appointed) (PSL). The Group has adopted a conservative position on the recoverability of the amounts due from PSL and has fully provided for the receivables as at the date of the filings of these results.

10. OTHER ASSETS

Prepayments	**59,842**	47,855	–	–
Accrued interest	**–**	–	–	–
	59,842	47,855	–	–

11. PROPERTY, PLANT & EQUIPMENT

Plant & equipment				
At cost	**16,607**	16,607	**–**	–
Accumulated depreciation	**(4,982)**	(3,321)	**–**	–
	11,625	13,286	**–**	–
Total property, plant & equipment				
At cost	**16,607**	16,607	**–**	–
Accumulated depreciation	**(4,982)**	(3,321)	**–**	–
	11,625	13,286	**–**	–

Reconciliations

Plant & equipment				
Carrying amount at beginning	**13,286**	14,946	**–**	–
Additions/(disposals)	**–**	–	**–**	–
Depreciation expense	**(1,661)**	(1,660)	**–**	–
	11,625	13,286	**–**	–
Total property, plant & equipment				
Carrying amount at beginning	**13,286**	14,946	**–**	–
Additions/(disposals)	**–**	–	**–**	–
Depreciation expense	**(1,661)**	(1,660)	**–**	–
	11,625	13,286	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

	CONSOLIDATED		PARENT	
	2015 **$**	2014 $	**2015** **$**	2014 $
12. OTHER FINANCIAL ASSETS				
Investment on other entities	**–**	–	**–**	–
	–	–	**–**	–

The Company holds a 10% equity interest in Promim Australia Pty Ltd (Promim Australia). As at balance date, the carrying value of Promim Australia was $Nil (2014: $Nil).

13. LOANS AND ADVANCES

Loans to subsidiaries and controlled entities	**–**	–	**1,683,003**	1,504,129
Loans to other entities	**3,362,538**	3,362,538	**3,362,538**	3,362,538
Less: provisions and impairment	**(3,362,538)**	(3,362,538)	**(3,362,538)**	(3,362,538)
	–	–	**1,683,003**	1,504,129

14. INTANGIBLE ASSETS

Exploration and evaluation assets	**11,700,858**	11,571,068	**–**	–
	11,700,858	11,571,068	**–**	–

Exploration and evaluation assets represent the Group's interest in a number of exploration permits in the Georgina Basin (phosphate), Mt Vista (base metals), Mt Isa (base metals) and mining licenses and exploration permits in Mt Haden (Gold).

15. INTEREST IN SUBSIDIARIES AND CONTROLLED ENTITIES

Investment in subsidiaries, controlled	**–**	–	**10,621,955**	10,621,955
Less: provision for diminution in value of investments	**–**	–	**(289,851)**	(289,851)
	–	–	**10,332,104**	10,332,104

The consolidated financial statements include the financial statements of Luminus Systems Limited and the subsidiaries and controlled entities listed in the following table:

	Country of incorporation	**Interest 2015**	Interest 2014
Duyfken Explorations Pty Ltd	Australia	100%	100%
Mt Haden Explorations Pty Ltd	Australia	100%	100%
Luminus Gold Pty Ltd	Australia	100%	100%
Luminus Systems Inc	USA	100%	100%
Luminus Systems AG	Switzerland	100%	100%
Labocontrol Gmbh	Switzerland	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	$	$	**$**	$

16. PAYABLES

Trade payables	**42,270**	46,649	**19,112**	17,282
Accrued expenses	**117,065**	117,065	**65,150**	65,250
Other payables	**20,358**	20,359	**20,358**	20,359
	179,693	184,073	**104,620**	102,791

17. LOANS AND BORROWINGS

At call facility – interest bearing	**3,837,536**	3,111,388	**3,837,536**	3,111,388
	3,837,536	3,111,388	**3,837,536**	3,111,388

The balance represents amounts due to PB Securities Finance Pty Ltd (PBSF) under a variable interest rate facility. The loan facility is secured by a first ranking fixed and floating charge over all of the Company's assets.

18. PROVISIONS

Current				
Employee entitlements	**75,799**	68,628	**75,799**	68,628
	75,799	68,628	**75,799**	68,628
Non-Current				
Other taxes	**290,000**	290,000	**–**	–
	290,000	290,000	**–**	–
(i) Movements in provisions				
Employee entitlements				
Carrying amount at the beginning of the financial year	**68,628**	60,605	**68,628**	60,605
Additional provision	**10,118**	9,863	**10,118**	9,863
Amounts utilised during the year	**(2,947)**	(1,840)	**(2,947)**	(1,840)
Balance at year end	**75,799**	68,628	**75,799**	68,628
(i) Movements in provisions (continued)				
Other taxes				
Carrying amount at the beginning of the financial year	**290,000**	290,000	**–**	–
Balance at year end	**290,000**	290,000	**–**	–

(ii) Nature and purpose of reserve

Employee entitlements
Employee provisions are recorded for accrued annual leave, long service leave, and any post-employment amounts the Company is required to pay upon redundancies.

Other taxes
Other taxes relates to estimated alternative minimum US tax payable by Luminus Systems Inc for the 2007 tax year.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

	CONSOLIDATED		PARENT	
	2015 **$**	2014 $	**2015** **$**	2014 $

19. AUDITORS REMUNERATION

Amounts received or due and receivable by Nexia Melbourne Audit (formerly known as Hayes Knight Audit) for:				
Audit and review of financial statements of the entity and any ther entity in the consolidated entity	**25,000**	25,000	**25,000**	25,000
Other regulatory services in relation to the entity and any other entity in the consolidated entity	**–**	–	**–**	–
	25,000	25,000	**25,000**	25,000
Amounts received or due and receivable by auditors other than Nexia Melbourne Audit (formerly known as Hayes Knight Audit) for:				
Audit and review of financial statements of the entity and any other entity in the consolidated entity	**–**	–	**–**	–
	–	–	**–**	–

	CONSOLIDATED		PARENT	
	$	#	**$**	#

20. SHARE CAPITAL

2015				
Ordinary shares, each fully paid	**24,338,295**	**45,524,455**	**24,338,295**	**45,524,455**
	24,338,295	**45,524,455**	**24,338,295**	**45,524,455**
2014				
Ordinary shares, each fully paid	24,338,295	45,524,455	24,338,295	45,524,455
	24,338,295	45,524,455	24,338,295	45,524,455

Movements in issued and paid up capital

Ordinary shares, fully paid

2015				
Opening Balance	**24,338,295**	**45,524,455**	**24,338,295**	**45,524,455**
Share options exercised	**–**	**–**	**–**	**–**
Closing balance	**24,338,295**	**45,524,455**	**24,338,295**	**45,524,455**
2014				
Opening Balance	24,306,070	45,454,455	24,306,070	45,454,455
Share options exercised (a)	32,225	70,000	32,225	70,000
Closing balance	24,338,295	45,524,455	24,338,295	45,524,455

(a) In accordance with the terms of the share based payment granted to Key Management Personnel (KMP) of the Company in August 2014, which entitles the holder of vested options to acquire ordinary shares in the company at a strike price of $0.01 per share.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	$	$	**$**	$

21. RESERVES

Available-for-sale reserve	**(419,301)**	(419,301)	**–**	–
Asset revaluation reserve	**624,316**	624,316	**–**	–
Share options reserve	**80,622**	47,258	**80,622**	47,258
Foreign currency translation reserve	**(494,518)**	(501,988)	**–**	–
	(208,881)	(249,715)	**80,622**	47,258

(i) Movements in reserves

Available-for-sale reserve				
Opening balance	**(419,301)**	(419,301)	**–**	–
Movement in available-for-sale reserve	**–**	–	**–**	–
Closing balance	**(419,301)**	(419,301)	**–**	–
Asset revaluation reserve				
Opening balance	**624,316**	624,316	**–**	–
Movement in asset revaluation reserve	**–**	–	**–**	–
Closing balance	**624,316**	624,316	**–**	–
Share options reserve				
Opening balance	**47,258**	23,754	**47,258**	23,754
Movement in share options reserve	**33,364**	23,504	**33,364**	23,504
Closing balance	**80,622**	47,258	**80,622**	47,258
Foreign currency translation reserve				
Opening balance	**(501,988)**	(500,939)	**–**	–
Gain/(loss) on translation of overseas controlled entities	**7,471**	(1,049)	**–**	–
Closing balance	**(494,518)**	(501,988)	**–**	–

(ii) Nature and purpose of reserve

Available-for-sale reserve

The Available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of intangible assets, other than goodwill, until the assets are derecognised or impaired.

Share options reserve

The share options reserve reflects the cumulative net change in the fair value of vested share options that has not been exercised.

Foreign currency translation reserve

The foreign currency translation reserve relates to foreign exchange differences arising from the translation of the financial statements of sustaining foreign operations.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	$	$	**$**	$

22. CASH FLOW STATEMENT

(a) Reconciliation of cash

Cash balance comprises				
Cash and cash equivalents	**14,241**	16,570	**13,940**	13,940

(b) Reconciliation of the net profit /(loss) after tax to the net cash flows from operations

Net profit/(loss)	**(625,378)**	(506,436)	**(583,882)**	(463,045)
Non cash Items				
Amortisation & depreciation	**1,661**	1,661	**–**	–
Equity-settled share-based payment transactions	**33,364**	55,029	**33,364**	55,029
Net finance costs	**311,079**	264,832	**311,079**	264,832
Unrealised foreign exchange loss	**7,030**	(1,045)	**–**	–
Other adjustments	**–**	–	**–**	3,700
Changes in assets and liabilities				
(Increase)/Decrease in receivables	**(6,608)**	2,295	**(5,626)**	693
(Increase)/Decrease in other current assets	**(11,987)**	17,511	**–**	–
Increase/(Decrease) in payables	**(4,380)**	(137,737)	**1,829**	(2,513)
Increase/(Decrease) in provisions	**7,171**	8,023	**7,171**	8,023
Net cash flow from operating activities	**(288,048)**	(295,867)	**(236,065)**	(133,281)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

	CONSOLIDATED	
	2015	2014
	$	$

23. EARNINGS PER SHARE

Earnings/(losses) per ordinary share (cents)		
Basic	**(1.3737)**	(1.1142)
Diluted	**(1.3737)**	(1.1142)
Earnings/(losses) per ordinary share (cents) from continuing operations		
Basic	**(1.3519)**	(1.1110)
Diluted	**(1.3519)**	(1.1110)

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding.

The following reflects the income and share data used in the calculation of the basic and diluted earnings per share:

	CONSOLIDATED	
	2015	2014
	$	$
Net profit/(loss) attributable to equity holders - continuing operations	**(615,447)**	(504,988)
Net profit/(loss) attributable to equity holders - discontinued operations	**(9,931)**	(1,448)
Net Profit/(loss) attributable to equity holders of the parent	**(625,378)**	(506,436)
	#	#
Weighted average number of ordinary shares for basic earnings per share	**45,524,455**	45,454,839
Weighted average number of ordinary shares for diluted earnings per share	**45,524,455**	45,454,839

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

24. KEY MANAGEMENT PERSONNEL

(a) Names and positions of Key Management Personnel (KMP) in office at any time during the financial year are:

S Catalano	Executive Chairman
I Pattison	Director
G Mueller	Non-executive director

(b) Remuneration of Directors and KMP

	Short-Term			Post - Employment	Long Term	Share-based payment	Total
	Salary, Fees & Commissions	**Cash Bonuses**	**Other Benefits**	**Super Contribution**	**Other Benefits**	**Share options**	
	$	$	$	$	$	$	$
Remuneration for the year ended 31 December 2015							
Executive Directors							
S Catalano	**60,000**	**–**	**4,822**	**5,700**	**914**	**19,065**	**90,501**
I Pattison	**15,000**	**–**	**1,206**	**1,425**	**229**	**9,533**	**27,393**
Non-Executive Directors							
G Mueller	**–**	**–**	**–**	**–**	**–**	**4,766**	**4,766**
Total	**75,000**	**–**	**6,028**	**7,125**	**1,143**	**33,364**	**122,660**
Remuneration for the year ended 31 December 2014							
Executive Directors							
S Catalano	60,000	–	5,335	5,625	1,084	31,445	103,489
I Pattison	15,000	–	1,333	1,406	271	15,722	33,732
Non-Executive Directors							
G Mueller	–	–	–	–	–	7,862	7,862
Total	75,000	–	6,668	7,031	1,249	55,029	145,083

(c) Shareholding of Directors and KMP

	Balance 1 January 2015	Exercise of Options	Acquisition/ (Disposals)	Net Change Other	Balance 31 December 2015
	#	#	#	#	#
Directors					
S Catalano *	**21,436,462**	**–**	**–**	**–**	**21,436,462**
I Pattison *	**22,670,428**	**–**	**–**	**–**	**22,670,428**
G Mueller	**247,425**	**–**	**–**	**–**	**247,425**

* S Catalano and I Pattison have common interest in 20,096,655 shares (2014: 20,096,655).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

24. KEY MANAGEMENT PERSONNEL (CONTINUED)

d) Option holdings of Directors and KMP

	Balance 1 January 2015 #	Options Granted* #	Options Exercised #	Options Forfeited #	Options Expired #	Balance 31 December 2015 #
Directors						
S Catalano	**200,000**	–	–	–	**(40,000)**	**160,000**
I Pattison	**100,000**	–	–	–	**(20,000)**	**80,000**
G Mueller	**50,000**	–	–	–	**(10,000)**	**40,000**
	350,000	–	–	–	**(70,000)**	**280,000**

* Details of options granted are set out in Note 28.

25. RELATED PARTY DISCLOSURES

The directors of Luminus Systems Limited during the year were:

S Catalano
I Pattison
G Mueller

Related Party Transactions

Custodian Services and Administrative Services

The Company outsources substantially all of its back office function to Chimaera Capital Limited (CCL), an entity related to S Catalano and I Pattison. The services provided by CCL included custodial services, administration, finance and related services. No services fee was charged to the Company and no amounts were outstanding under this arrangement in both the current and prior year.

As at 31 December 2015, the balance of the Company's cash deposit held in its custody account with CCL was $Nil (2014: $Nil).

Funding Facilities

Since December 2011, the Company has a financing facility with PB Securities Finance Pty Ltd (PBSF), an entity related to S Catalano and I Pattison. The interest charged by PBSF during the year was $311,079 (2014: $264,832) and as at balance date, the amounts due to PBSF under this facility was $3,837,536 (2014: $3,111,388).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

26. OPERATING SEGMENTS

The Group has identified its reporting segments based on the internal reports that are reviewed and used by the chief operating decision maker for the purpose of resource allocation and assessment of performance.

The Group's reportable segments are as follows.

- Trading – this operating segment engaged in business activities that derived revenue and incurred expenses from trading in listed and unlisted financial instruments.
- Mining exploration and development – this operating segment engages in the acquisition, evaluation and potentially development of resource assets and resource related investments.
- Discontinued operation – this segment comprise of the following discontinued business operations:

  Trading and investment activities of the US operation – activities previously conducted by the US subsidiary and were discontinued in prior years. The operation consisted of trading activities and digital photographic equipment activities - which design, manufacture and distribute photographic scanning equipment, and digital image processing software.

Major products and services

The Group's revenue from its major products and services were as follows:

	2015	2014
	$	$
Continuing operations		
Trading activities	**–**	565
Minerals exploration and development	**1**	14
	1	579
Discontinued operations		
Discontinued operations	**–**	–
	–	–
Consolidated revenue	**1**	579

Segment revenue and results

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segments for the year.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

26. OPERATING SEGMENTS (CONTINUED)

	CONTINUING OPERATIONS			DISCONTINUED OPERATIONS	TOTAL OPERATIONS
	Trading	Minerals Exploration and Development	Total		
2015	$	$	$	$	$
Revenue					
Revenue from external customers	–	–	–	–	–
Interest revenues	–	1	1	–	1
Total revenue for reportable segments	–	1	1	–	1
Elimination of inter-segment revenue	–	–	–	–	–
Consolidated revenue	–	1	1	–	1
Expenses					
Interest expense	–	(311,079)	(311,079)	–	(311,079)
Salary and employee benefits	(122,847)	–	(122,847)	–	(122,847)
Provisions reversed	226	–	226	–	226
Other expenses	(38,654)	(143,094)	(181,748)	(9,931)	(191,679)
Total expense for reportable segments	(161,275)	(454,173)	(615,448)	(9,931)	(625,379)
Elimination of inter-segment expense	–	–	–	–	–
Consolidated expense	(161,275)	(454,173)	(615,448)	(9,931)	(625,379)
Profit/(loss) before income tax	(161,275)	(454,172)	(615,447)	(9,931)	(625,378)
Income tax (expense)/benefit	–	–	–	–	–
Consolidated net profit/(loss) for the year	(161,275)	(454,172)	(615,447)	(9,931)	(625,378)
Assets and Liabilities					
Total assets for reportable segments	19,876	11,774,309	11,794,185	170	11,794,355
Consolidated total assets	19,876	11,774,309	11,794,185	170	11,794,355
Total liabilities for reportable segments	163,264	3,867,643	4,030,907	352,121	4,383,028
Consolidated total liabilities	163,264	3,867,643	4,030,907	352,121	4,383,028

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

26. OPERATING SEGMENTS (CONTINUED)

	CONTINUING OPERATIONS			DISCONTINUED OPERATIONS	TOTAL OPERATIONS
	Trading	Minerals Exploration and Development	Total		
2014	$	$	$	$	$
Revenue					
Revenue from external customers	–	–	–	–	–
Interest revenues	565	14	579	–	579
Total revenue for reportable segments	565	14	579	–	579
Elimination of inter-segment revenue	–	–	–	–	–
Consolidated revenue	565	14	579	–	579
Expenses					
Interest expense	–	(264,832)	(264,832)	–	(264,832)
Salary and employee benefits	(145,270)	–	(145,270)	–	(145,270)
Provisions reversed	361	–	361	–	361
Other expenses	(47,613)	(48,213)	(95,826)	(1,448)	(97,274)
Total expense for reportable segments	(192,522)	(313,045)	(505,567)	(1,448)	(507,015)
Elimination of inter-segment expenses	–	–	–	–	–
Consolidated expenses	(192,522)	(313,045)	(505,567)	(1,448)	(507,015)
Profit/(loss) before income tax	(191,957)	(313,031)	(504,988)	(1,448)	(506,436)
Income tax (expense)/benefit	–	–	–	–	–
Consolidated net profit/(loss) for the year	(191,957)	(313,031)	(504,988)	(1,448)	(506,436)
Assets and Liabilities					
Total assets for reportable segments	14,120	11,633,210	11,647,330	2,630	11,649,960
Consolidated total assets	14,120	11,633,210	11,647,330	2,630	11,649,960
Total liabilities for reportable segments	156,064	3,145,904	3,301,968	352,121	3,654,089
Consolidated total liabilities	156,064	3,145,904	3,301,968	352,121	3,654,089

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

27. FINANCIAL INSTRUMENTS

(a) Terms and conditions and accounting policies

The Group's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the reporting date, are as follows:

Financial instruments	Notes	Terms, conditions and accounting policies
(i) Financial assets		
Cash and cash equivalents	8	Cash deposits are held at call.
Trade and other receivables	9	Terms vary and are negotiated in each individual transaction undertaken.
Available-for-sale securities	1	The Group holds unlisted equity investment designated as available-for-sale assets. These assets are principally held for investment purposes and not deemed to be trading securities.
(ii) Financial liabilities		
Trade and other payables	16	Terms vary and are negotiated in each individual transaction undertaken
Loans and borrowings	17	The loans and borrowing are at call, variable interest rate facility that is secured by a first ranking fixed and floating charge over all of the Company's assets.
(iii) Equity		
Ordinary shares	20	Details of shares issued are set out in Note 20.
Options	28	Details of options issued are set out in Note 28.

(b) Net Fair Values

All financial assets and liabilities have been recognised at the reporting date at their net fair values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash and cash equivalents: The carrying amount approximates fair value because of their short term in nature and is receivable on demand.

Trade receivables and payables: The carrying amount approximates fair value.

Financial assets: The fair value of the asset or liability is determined by reference to the closing price for the relevant stock received or delivered. For investments where there is no quoted market price, a reasonable estimate of the 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 or the underlying net asset base of the investment/security.

Concentrations of credit risk

The limited number of counterparties in which the Company transacts has caused credit risk to be concentrated. Given the limited number of transactions undertaken and the specific contractual nature of these transactions, credit risk is managed on a 'transaction by transaction' basis. The Group's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2015

28. SHARE-BASED PAYMENT

Description

In August 2014, a total of 700,000 share options were granted to KMP of the Company, which entitle the holders of vested options to acquire ordinary fully paid shares in the Company at a fixed price determined at the time the options were granted. No equity settled share options were granted to KMP of the Company during the year.

As at balance date, the terms and conditions of outstanding equity settled share options are as follows:

Grant date	No. of options	Vesting conditions	Exercise price	Expiry date
1 August 2014	70,000	Remain in service/employment as a director at 31 May 2016	$0.01	30 June 2016
1 August 2014	105,000	Remain in service/employment as a director at 31 May 2017	$0.01	30 June 2017
1 August 2014	105,000	Remain in service/employment as a director at 31 May 2018	$0.01	30 June 2018

Measurement of fair values

The fair value of share options was measured at grant date, using the Black-Scholes option pricing model. Management judgment, estimates and assumptions were used where market inputs are unavailable.

Grant date	No. of options #	Fair value at grant date $	Fair value at reporting date $	Probability* of options vesting at reporting date %
1 August 2014	70,000	31,578	26,936	85%
1 August 2014	105,000	47,450	29,915	63%
1 August 2014	105,000	47,542	23,771	50%
	280,000	126,570	80,622	

* The probability was determined using management judgment, estimates and assumptions based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates, and such estimates are reviewed on an ongoing basis.

29. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets, liabilities or commitments as at 31 December 2015.

30. EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstances occurring after the balance date that, in the opinion of the directors of the Company, has significantly affected, or may significantly affect the consolidated entity's operations, results, or state of affairs in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Luminus Systems Limited:

(a) the consolidated financial statements and notes that are set out on pages 7 to 34, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001

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

In the opinion of the directors, the financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001.

S CATALANO
Executive Chairman

I PATTISON
Director

Dated at Melbourne, this 3rd day of May 2016

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Independent Auditor's Report
To the members of Luminus Systems Limited

Report on the Financial Report

We have audited the accompanying financial report of Luminus Systems Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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 entity 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Luminus Systems Limited would be in the same terms if given to the directors as at the time of this auditor's report.

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Independent member of Nexia International

Opinion

In our opinion:

(a) the financial report of Luminus Systems Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial positions as at 31 December 2015 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standardsand the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Nexia

Nexia Melbourne Audit Pty Ltd

Melbourne

Geoff Parker

Director

Dated this 3 day of May 2016

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