



2016  
**Annual**  
report

# CORPORATE DIRECTORY

This annual report covers the consolidated entity of Oro Verde Limited and its subsidiaries. The consolidated entity's functional and presentation currency is AUD (\$).

A description of the consolidated entity's operations and of its principal activities is included in the review of operations and activities in the directors' report.

## DIRECTORS

W G Martinick - Non-Executive Chairman  
T I Woolfe - Managing Director  
B D Dickson - Finance Director  
B L Farrell - Non-Executive Director  
A P Rovira - Non-Executive Director

## COMPANY SECRETARY

B D Dickson

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 1  
30 Richardson Street  
West Perth, WA 6005  
Telephone: 08 9481 2555  
Fax: 08 9485 1290

## SHARE REGISTRY

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross, WA 6153

## AUDITORS

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO, WA 6008

## BANK

National Australia Bank  
Level 1, Gateway Building  
177-179 Davy Street  
Booragoon, WA 6154

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The information in this document that relates to earlier Exploration Results is extracted from reports as referenced throughout the document, all completed under Mr Trevor Woolfe as Competent Person and available to view on [www.asx.com](http://www.asx.com). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market 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.

The information in this document that relates to Historical Mineral Resources is extracted from the report entitled "Acquisition of High Grade Gold Project" created on 11 November 2014 and available to view on [www.asx.com](http://www.asx.com). The Company confirms that it is not in possession of any new information or data that materially impacts on the reliability of the estimates in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement 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 announcement.

# DIRECTOR'S REPORT

## DIRECTORS

The names and details of the directors of Oro Verde Limited in office during the financial year and until the date of this report are as follows. Directors were in office for the whole of the financial year unless otherwise stated.

**W G Martinick** B.Sc, Ph.D. FAusIMM. (Chairman)

Dr Wolf Martinick was appointed a director and chairman on 13 January 2003. He is an environmental scientist with over 40 years experience in mineral exploration and mining projects around the world, attending to environmental, water, land access and indigenous people issues. He has conducted due diligence on mining projects around the world on behalf of international financial institutions and resource companies for a variety of transactions including listings on international stock exchanges, mergers and debt financing. He is a Fellow of the Australian Institute of Mining and Metallurgy.

Dr Martinick is a founding director and former chairman of Weatherly International plc, an AIM listed company with copper mines in Namibia. Previously Dr Martinick was a founding director of Basin Minerals Limited, an ASX listed mineral exploration company that discovered a world-class mineral project in Victoria, Australia, that was acquired by Iluka Resources Limited in 2003. He was also Chairman of ASX listed Sun Resources Limited until early 2016 and is a director of Azure Minerals Limited.

**T I Woolfe** B.Sc (Hons) GradCert AppFin, MAusIMM, MAIG, GAICD (Managing Director)

Mr Trevor Woolfe was appointed Managing Director on 25 February 2015 and is an experienced and highly regarded industry professional. He is a geologist with over 20 years experience in the exploration and mining industry. He was the Managing Director of ASX listed Anchor Resources Ltd until Chinese interests acquired a majority interest in 2011 and previously held various senior roles with companies including CRA, Great Central Mines, Newcrest and Placer Dome. While living for four years in South America, Mr Woolfe led Placer Dome exploration teams in Chile and Brazil. Since 2012, he has provided consultancy services in various countries including Nicaragua. As a result, Mr Woolfe is fluent in Spanish, the official language of Nicaragua.

**B D Dickson** B.Bus, FCPA – (Finance Director & Company Secretary)

Mr Brett Dickson has over 20 years experience in the financial management of companies, principally companies in early stage development of its resource or production, and offers broad financial management skills. He has been Company Secretary and Chief Financial Officer (CFO) for a number of successful resource companies listed on the ASX. Mr Dickson is also a director of Rox Resources Limited.

**B L Farrell** B.Sc (Hons Econ Geol), M.Sc, Ph.D, FAusIMM, MICA, CPGeol, MIMM, CEng.  
(Non-Executive Director)

Dr Brad Farrell was appointed a director on 8 August 2011. Dr Farrell has over 40 years experience in resource exploration and senior project management and evaluation. During this time he has managed numerous and extensive exploration programs within Australia and overseas for a variety of mineral commodities for both major and junior exploration companies. Some of these programs have resulted in significant discoveries, which are currently in production or will see future production. He is a Fellow of the Australian Institute of Mining and Metallurgy, a Chartered Professional Geologist of that body, Member of Mineral Industry Consultants Association, a Member of the Institution of Mining and Metallurgy and a Chartered Engineer of that body.

Dr Farrell was a founding director and the chairman of ASX listed companies, Sun Resources Limited and Basin Minerals Limited.

# DIRECTOR'S REPORT

## **A P Rovira** BSc (Hons), MAusIMM - (Non-Executive Director)

Mr Tony Rovira has over 30 years technical and management experience in the mining industry, as an exploration and mining geologist, and as a company executive at Board level. Since graduating from Flinders University in South Australia in 1983, Tony has worked for companies both large and small, including BHP, Barrack Mines, Pegasus Gold and Jubilee Mines.

From 1997-2003 Tony was the General Manager of Exploration with Jubilee Mines, during which time he led the team that discovered and developed the world class Cosmos and Cosmos Deeps nickel sulphide deposits in Western Australia. In the year 2000, the Association of Mining and Exploration Companies awarded Mr Rovira the "Prospector of the Year Award" for these discoveries.

Mr Rovira is also a director of Azure Minerals Limited.

## INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report the interests of the directors in the securities of the company were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
W G Martinick	49,871,447	-
T I Woolfe	22,058,069	10,000,000
B D Dickson	21,045,330	44,000,000
B L Farrell	47,101,281	-
A P Rovira	28,903,586	44,000,000

## INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During or since the end of the financial year, no director has had any interest in a contract or proposed contract with the company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the Corporations Act 2001.

## DIRECTORS' MEETINGS

During the year 4 directors' meetings were held. The number of meetings attended by each director was as follows:

	No. of meetings held while in office	Meetings attended
W G Martinick	4	4
T I Woolfe	4	4
B D Dickson	4	4
A P Rovira	4	4
B L Farrell	4	4

As at the date of this report, the company did not have audit, remuneration or nomination committees, as the directors believe the size of the company does not warrant their existence.

## DIVIDENDS PAID OR PROPOSED

The company has not paid any dividends since the commencement of the financial year, and no dividends are proposed to be paid.

# DIRECTOR'S REPORT

## CORPORATE INFORMATION

The Financial Statements of Oro Verde Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 23 September 2016. The group's functional and presentation currency is AUD (\$).

Oro Verde Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

### Principal Activities

The principal activity during the year of the group was investment in the mining and resource sector.

The group's business is conducted from operations located in Australia and more recently in Nicaragua through its 100% owned subsidiary Minera San Cristobal, SA.

### Employees

Other than the Directors the group employed two people, based in Nicaragua at 30 June 2016 (2015: 1).

## OPERATING AND FINANCIAL REVIEW

### Group Overview

Oro Verde Limited is a company limited by shares and is incorporated and domiciled in Australia.

During the 2015 financial year, Oro Verde Limited ("**Oro Verde**" "**OVL**" or "**the Company**") changed its focus from Chile to Nicaragua - a safe, stable and democratic country with a strongly growing economy. That change saw the Company enter into an option agreement over the promising Topacio Gold Project ("the Project"), located in southeastern Nicaragua (Figure 1).

Nicaragua produces over 300,000 ounces of gold each year, primarily from three large mines – two of which are operated by Canada's B2Gold Corp (Figure 2).

# DIRECTOR'S REPORT



*Figure 1 Location of Nicaragua – Central America*

In November 2015, the Company announced it had entered into a Farm-In and Joint Venture Agreement (“the Agreement”) with Newcrest International Pty Limited, a wholly owned subsidiary of Newcrest Mining Limited to explore for large, high grade epithermal gold deposits on the Topacio Gold Project (Figure 2).

Under the Agreement:

- Newcrest will sole fund an initial minimum commitment of US\$500,000 of direct expenditure on the Project within the first 12 months (“the Minimum Commitment”), designed to test the potential for a large scale, mineralised epithermal gold system.
- Newcrest may withdraw from the Agreement once the Minimum Commitment has been satisfied or paid out in cash to Oro Verde.
- Once the Minimum Commitment is satisfied, Newcrest may elect to continue to farm-in by sole funding additional expenditure on the Project of US\$2.2 million by 25 August 2017.
- If the additional expenditure commitment is met, and Newcrest elects to continue, it will then be obliged to fund Oro Verde’s US\$1.5 million option exercise payment to the vendor. If the vendor has chosen, at this point, to be paid out on the basis of JORC or NI 43-101 compliant resources (measured and indicated), Newcrest will also fund this payment.
- Through this first stage of the Farm-in, Newcrest will also be required to fund:
  - Vendor payments (US\$40,000 each six months)
  - Tenement holding costs
  - Management fee to Oro Verde (at standard industry rates)

# DIRECTOR'S REPORT

At this point, as a result of expenditure totalling approximately US\$4.4 million, Newcrest will have funded Oro Verde's 100% acquisition of the Topacio Gold Project and, in turn, will have earned a 51% share. A Joint Venture will subsequently be created (Oro Verde 49%: Newcrest 51%).

- Upon earning its 51% interest, Newcrest may then elect to earn an additional 24% interest (for a total Joint Venture interest of 75%), by spending an additional US\$3.5 million, including tenement holding costs, over the next three years on the Project.
- This will bring the total expenditure on the Project by Newcrest to approximately US\$7.9 million to earn a 75% interest in the Joint Venture.

Until Newcrest has earned its 51% interest in the Joint Venture, Oro Verde will be the Project Manager and will continue to manage and staff the exploration activities on the Project, taking advantage of the team, contacts and infrastructure that the Company already has in place, based in Managua. Newcrest will provide technical assistance to the Oro Verde team during this phase.

The Agreement covers the concession containing the Topacio Gold Project, known as "Presillitas", as well as an adjoining concession application, known as the "Iguanas" concession (Figure 3), if it is successfully granted.

There is also a 5 kilometre area of influence around the concession. Oro Verde has applied for another concession within that area of influence, known as "Galeano" (Figure 3). Subject to the successful grant of the Galeano concession, it will be incorporated into the Agreement when Oro Verde and Newcrest reach the stage to create a Joint Venture.

Since entering into the agreement Newcrest has largely met the Minimum Commitment by completing several geological prospecting and mapping campaigns, completed a concession wide soil geochemistry program and a concession wide aeromagnetic and radiometric geophysical survey.

Results of those programs are being assessed before moving to the next stage of exploration.

## Operating Results

The group's revenue was \$57,390 and the loss was \$1,336,546 for the financial year. Exploration expenses written off (\$285,003) and salaries and wages payments (\$392,676) account for approximately 56% of this year's loss.

	2016 \$	2015 \$
Operating revenue	57,390	10,415
Operating profit/(loss)	(1,336,546)	(1,571,229)

# DIRECTOR'S REPORT

## Year in Review

### Review of Financial Position

During the year, the Group raised \$660,342 (before expenses) through the issue of fully paid shares at \$0.006 each. In addition, in June 2016, the Company secured a \$500,000 bridging loan facility of which \$100,000 was drawn during July 2016. This agreement was terminated when repaid on 7 September 2016.

As a result of those raisings the directors believe that at the date of this report the Group has a sound capital structure and is in a position to progress its mineral properties.

At 30 June 2016 the cash balance of the group stood at \$542,591.

### Exploration

In February 2015, Oro Verde made a significant acquisition by signing an option agreement with the right to acquire 100% of the advanced Topacio Gold Project. The Topacio Gold Project contains a high grade gold deposit with a historical resource estimate of 340,000 ounces of gold, and is located in southeastern Nicaragua (Figure 2).

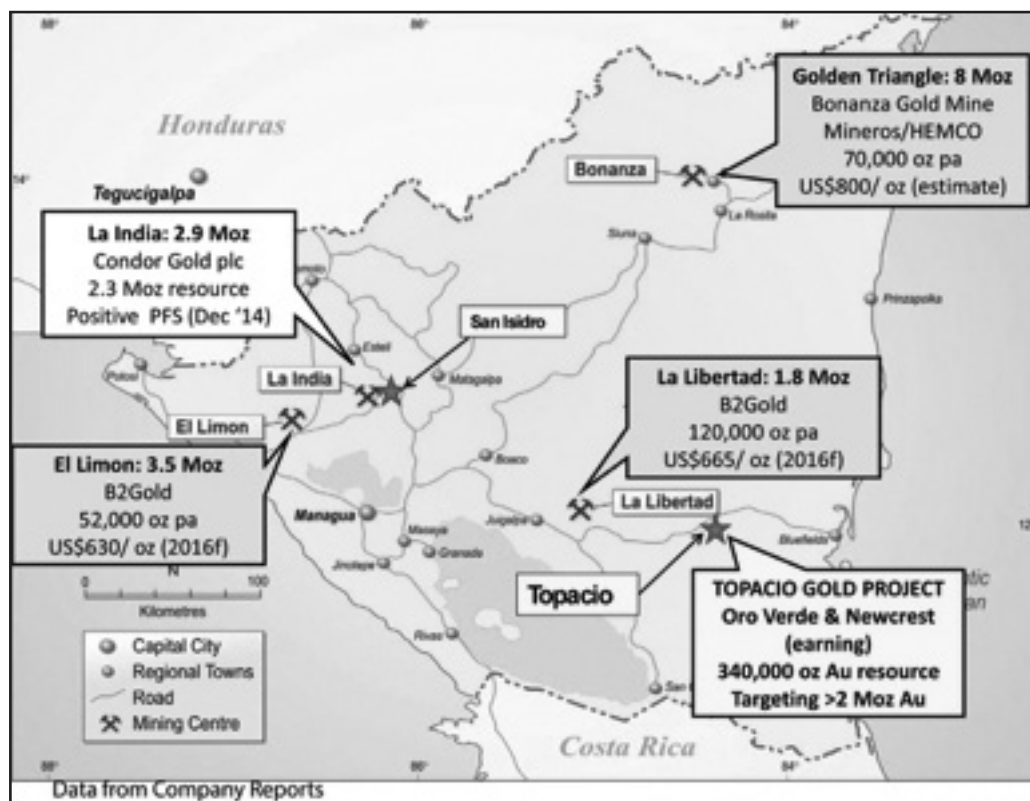


Figure 2 Location of Topacio and other key Nicaraguan gold projects

# DIRECTOR'S REPORT

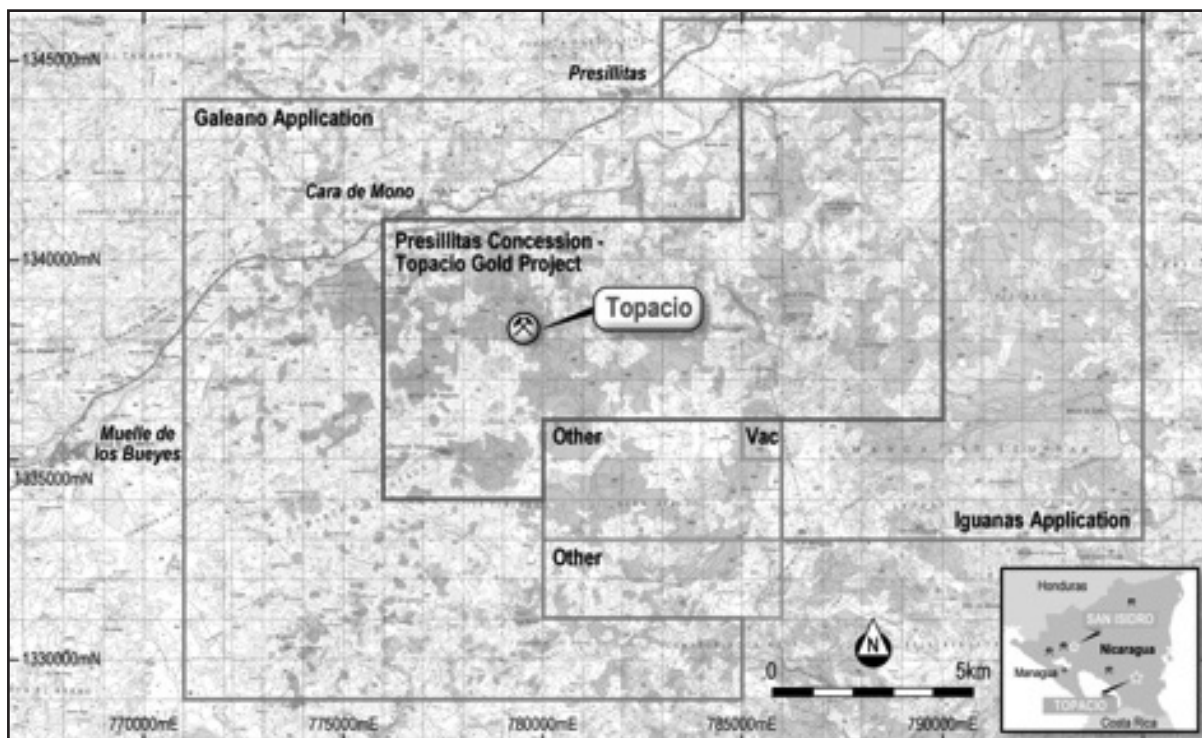


Figure 3 Topacio – with the Iguanas and Galeano concession applications

The project boasts a historical NI 43-101 (Canadian standard, similar to JORC) compliant Inferred Resource of:

**2,716,176 tonnes at 3.9 g/t gold, containing 340,345 ounces of gold, at a 1.5 g/t gold cut-off<sup>1</sup>**

National Instrument 43-101 (“NI 43-101”) is a national instrument for the *Standards of Disclosure for Mineral Projects* within Canada and as such this estimate is a foreign estimate and is not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the foreign estimate as mineral resources in accordance with the JORC code and it is uncertain that following evaluation and/or further exploration work that the foreign estimate will be able to be reported as mineral resources in accordance with the JORC code.

During the latter half of 2015, the Company continued to add to the prospectivity of the Project, with surface sampling of veins highlighting new high grade gold target areas.

As stated above, in November 2015, the Company entered into a Farm-In and Joint Venture Agreement with Newcrest International Pty Limited, a wholly owned subsidiary of Newcrest Mining Limited to explore for large, high grade epithermal gold deposits on the Topacio Gold Project.

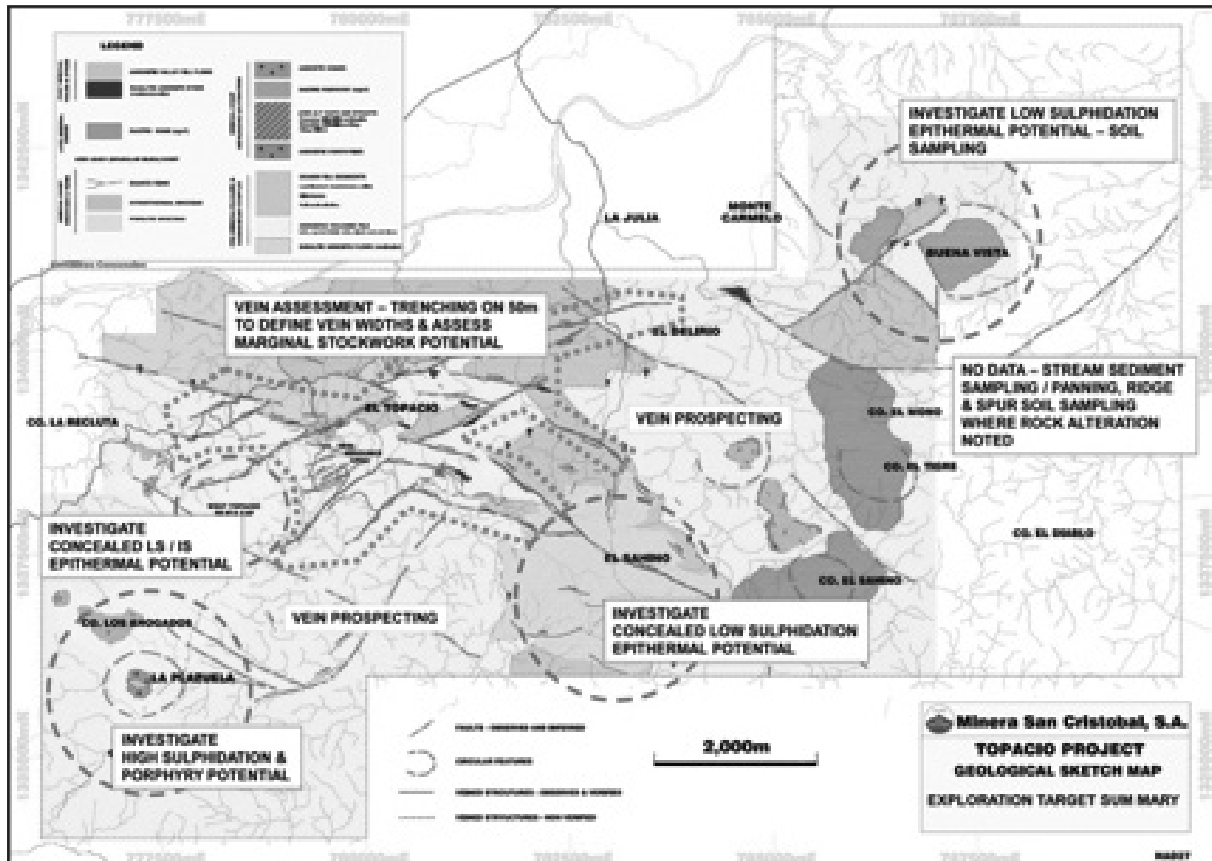
Newcrest’s Stage 1 US\$500,000 Minimum Commitment phase of exploration at Topacio is to be completed within 12 months (by 24 November 2016). Stage 1 is focused on defining a mineralised system with the potential to host a gold deposit containing at least two million ounces and generating drill targets to verify that gold potential.

The key objective of the Stage 1 exploration program, which commenced in January 2016, is to identify highly prospective vein, alteration, geochemical, geophysical and structural targets for drill testing, scheduled to commence in the second half of 2016. The Stage 1 program includes:

1 Refer to ASX announcement dated 11 November 2014 “High Grade Gold Project Acquired”

# DIRECTOR'S REPORT

- ▶ Detailed geological mapping and sampling
- ▶ Concession-wide 400m x 400m grid soil sampling program
- ▶ Airborne geophysics – magnetics and radiometrics



Initial geological mapping and sampling has identified at least three zones of potential low sulphidation epithermal mineralisation (West Topacio, El Sahino and Buena Vista), as well as the La Plazuela area in the SW of the concession (Figure 4) with the potential to host a high sulphidation epithermal and/or porphyry system.

While initial mapping and sampling, as well as soil sample collection, were completed prior to 30 June 2016, geochemical results were received, and the airborne geophysical survey was undertaken safely and successfully, shortly after that date. The generation and prioritisation of targets, utilising all three aspects of the Stage 1 exploration program, is currently underway, with drill testing of high priority targets expected to commence before the end of 2016.

## San Isidro Gold Project (Nicaragua - 100% OVL)

The San Isidro Gold Project, located in northwestern Nicaragua (Figure 2), consists of a 2,520Ha mining concession and is held 100% by Minera San Cristóbal S.A. (MSC), a Nicaraguan subsidiary of Oro Verde.

San Isidro is located adjacent to the La India Gold Project which contains a 2.3 million ounce gold resource and is held by UK company Condor Gold plc, which released a positive PFS study in December 2014 with the potential for both open pit and underground mine development. Oro Verde's San Isidro Gold Project has the potential to contain La India-style vein-hosted epithermal gold mineralisation.

# DIRECTOR'S REPORT

Field activities on the San Isidro Gold Project consisted of an initial reconnaissance mapping and sampling program in 2015. No further work was completed during the period.

## LIKELY DEVELOPMENTS

Oro Verde continues to review resource opportunities in search of quality projects to enhance the existing portfolio. Discussions and reviews are ongoing as the Company aims to add shareholder value through the quality team and connections that it has assembled within Nicaragua and the region.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors of Oro Verde Limited 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*.

The total amount of insurance contract premiums paid was \$10,950 (2015: \$10,950).

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is subject to significant environmental regulation in respect of its exploration activities.

The company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the company are not aware of any breach of environmental legislation for the year under review. The directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that the Company has no current reporting requirements, but may be required to report in the future.

## PROCEEDINGS ON BEHALF OF COMPANY

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

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited)

This 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 purposes 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.

For the purposes of this report, the term 'executive' encompasses the chief executive and secretaries of the Parent and the Group.

### Details of key management personnel

#### (i) Directors

W G Martinick	Chairman
T I Woolfe	Managing Director
B D Dickson	Finance Director
B L Farrell	Director (Non-Executive)
A P Rovira	Director (Non-Executive)

#### Remuneration philosophy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash payments. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments on an annual basis based on individual performance and market conditions.

#### Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

### Compensation of Directors and Executive Officer

#### (i) Compensation Policy

The Board of Directors of Oro Verde Limited is responsible for determining and reviewing compensation arrangements for the directors and the managing director.

#### (ii) Non-Executive Director Compensation

##### *Objective*

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

##### *Structure*

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed and reviewed annually. The Board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The latest determination was in 2011 when shareholders approved an aggregate remuneration of \$400,000 per year.

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited) (Continued)

Non-executives directors have long been encouraged by the Board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company on which board they sit.

### (iii) Executive Compensation

#### *Objective*

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- align the interests of executives with those of shareholders; and
- ensure total compensation is competitive by market standards.

#### *Structure*

The Board periodically assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

### (iv) Fixed Compensation

#### *Objective*

Fixed compensation is reviewed annually by the Board. The process consists of a review of individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

#### *Structure*

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and other non-cash benefits.

### (v) Variable Compensation

#### *Objective*

The objective is to link the achievement of the company's targets with the compensation received by the executives charged with meeting those targets.

Currently, the company does not restrict executives from entering into arrangements to protect the value of unvested Long Term Incentives. However, under the Securities Dealing Policy, members of the Board are required to advise the Company Secretary of any shareholdings including any hedging arrangements.

#### *Share-based compensation*

Options or shares may be issued to directors and executives as part of their remuneration. The options or shares are not issued based on performance criteria, but are issued to the directors and executives of Oro Verde Limited to increase goal congruence between executives, directors and shareholders.

During the year no options (2015: 10,000,000) were issued to key management personnel, details of the options are set out elsewhere in this report. In addition 9,779,457 shares were issued (2015: Nil) in lieu of cash directors' fee, details of the shares issued are set out elsewhere in this report.

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited) (Continued)

### Structure

Actual payments granted to each KMP are determined by the Board who meet periodically to assess the achievements of the company's targets. There are currently no targets established.

**Mr T I Woolfe**, Managing Director:

- Term of agreement – to 1 December 2016.
- Base salary, inclusive of superannuation, of \$250,000 to be reviewed annually by the remuneration committee.
- Payment of termination benefit of \$125,000 on early termination by the employer, other than for gross misconduct.

### Compensation of Key Management Personnel (Consolidated and Parent)

Compensation of each director and the executive officer of the parent and group are as follows:

	Short term		Post employment	Share based payments			
30 June 2016	Salaries and fees \$	Non Monetary Benefit <sup>1</sup>	Superannuation \$	Options \$	Total	Total options related	Total performance related
<b>Directors</b>							
W G Martinick	40,000	2,190	-	-	42,190	-	-
T I Woolfe	250,000	2,190	-	-	252,190	-	-
B D Dickson	95,000	2,190	712	-	97,902	-	-
A P Rovira	30,000	2,190	-	-	32,190	-	-
B L Farrell	30,000	2,190	-	-	32,190	-	-
Total	445,000	10,950	712	-	456,662	-	-

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited) (Continued)

	Short term		Post employment	Share based payments			
30 June 2015	Salaries and fees \$	Non Monetary Benefit <sup>1</sup>	Superannuation \$	Shares \$	Total	Total options related	Total performance related
<b>Directors</b>							
W G Martinick	13,333	1,564	-	-	14,897	-	-
T I Woolfe	196,024	1,564	-	41,200	238,788	41,200	17.3%
B D Dickson	85,000	1,564	-	-	86,564	-	-
A P Rovira	10,000	1,564	-	-	11,564	-	-
G R O'Dea	-	1,565	-	-	1,565	-	-
D H Ward	-	1,565	-	-	1,565	-	-
B L Farrell	10,000	1,564	-	-	11,564	-	-
<b>Total</b>	<b>314,357</b>	<b>10,950</b>	<b>-</b>	<b>41,200</b>	<b>366,507</b>	<b>41,200</b>	<b>11.2%</b>

1 The Non Monetary Benefit relates to the Directors' Indemnity Insurance

2 Mr Rovira and Dickson received share base payments prior to becoming directors in 2014 and those payments are not included in remuneration. Further details of those share payments are disclosed in note 27.

Apart from directors acting in an executive capacity, being Mr Woolfe and Mr Dickson, no fees were paid to directors during the period to 28 February 2015. From 1 March 2015 directors' fees are accruing and amounts due are shown above, but are not payable until the Company's financial position is sufficiently strong to justify payment or directors may elect to receive shares in lieu of fees. During the year Mr Dickson and Mr Woolfe elected to receive shares to the value of \$7,500 and \$62,500, respectively, in lieu of cash fees.

### Compensation Options: Granted and Vested during the year.

No compensation options were granted during the 2016 year.

	Granted				Terms and conditions for each grant				Vested
2015	Number	Date	Fair Value Per option (cents)	Fair value \$	Exercise Price \$	Expiry date	First exercise date	Last exercise date	Number
T I Woolfe	5,000,000	27 Nov 14	0.456	22,800	\$0.01	30 Sept 17	27 Nov 14	30 Sept 17	5,000,000
	5,000,000	27 Nov 14	0.368	18,400	\$0.05	30 Sept 19	27 Nov 14	30 Sept 17	5,000,000
<b>Total</b>	<b>10,000,000</b>			<b>41,200</b>					<b>10,000,000</b>

Value of Options granted as part of remuneration was calculated in accordance with AASB 2: Share Based Payments

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited) Continued)

	Fair Value per options granted during the year cents	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year \$
T I Woolfe	0.412	41,200	-	-	17.3

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were neither forfeitures nor shares issued on exercise of Compensation Options during 2016 or 2015.

The Company's remuneration policy prohibits directors and executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Apart from the issue of options the company currently has no performance based remuneration component built into director and executive remuneration (2015: Nil).

### Share Holdings of Key Management Personnel

2016 Specified Directors	Balance 1 July 15	Granted as Remuneration	On Exercise of Options	Received in lieu of fees	Balance 30 June 16
W G Martinick	43,000,000	-	-	-	43,000,000
T I Woolfe	5,000,000	-	-	8,680,556	13,680,556
A P Rovira	23,760,000	-	-	-	23,760,000
B L Farrell	47,101,281	-	-	-	47,101,281
B D Dickson	17,500,000	-	-	1,098,901	18,598,901
<b>Total</b>	<b>136,361,281</b>	<b>-</b>	<b>-</b>	<b>9,779,457</b>	<b>146,140,738</b>

### Option Holdings of Key Management Personnel

2016	Balance at beginning of year 1 July 2015	Granted as Remuneration	Options Exercised	Other	Options Lapsed	Balance at end of year 30 June 2016	Vested at 30 June 2016	
							Vested & Exercisable	Unvested
W G Martinick	-	-	-	-	-	-		
B L Farrell	-	-	-	-	-	-		
T I Woolfe	10,000,000	-	-	-	-	10,000,000	10,000,000	-
A P Rovira	44,000,000	-	-	-	-	44,000,000	44,000,000	-
B Dickson	45,000,000	-	-	-	(1,000,000)	44,000,000	44,000,000	-
<b>Total</b>	<b>99,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,000,000)</b>	<b>98,000,000</b>	<b>98,000,000</b>	<b>-</b>

### Other Transactions

The Company has entered into a sub-lease agreement on normal commercial terms with Azure Minerals Limited, a company of which Dr Martinick and Mr Rovira are directors. During the year the Company paid sub-lease fees totalling \$4,800 (2015: \$4,800).

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited) Continued)

Amounts due and unpaid at 30 June 2016 to Key Management Personnel include:

- 1 Directors fees totalling \$165,833; and
- 2 Consulting fees of \$20,833 to Shordean Pty Ltd, a related party of TI Woolfe.

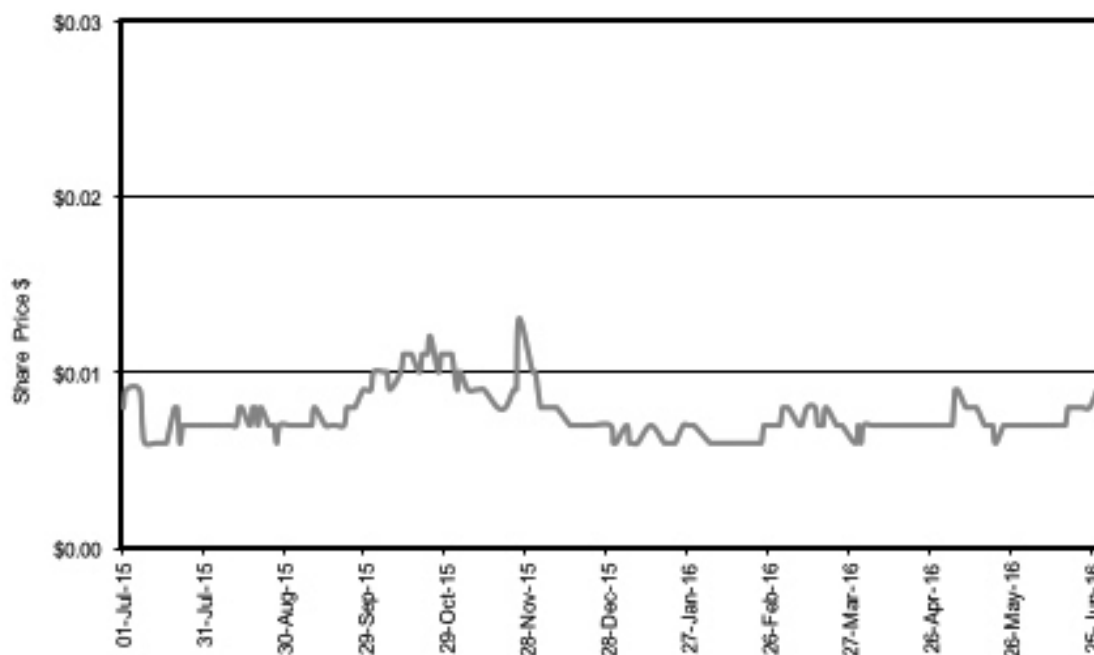
### Company's Performance

#### *Company's share price performance*

The Company's share price performance shown in the below graph for the year ended 30 June 2016 and is a reflection of the Company's performance during the year.

The variable component of the executives' remuneration, which at this stage only includes share options, is indirectly linked to the Company's share price performance.

### Company's Share Price Performance



#### *Loss per share*

Below is information on the Company's loss per share for the previous four financial years and for the current year ended 30 June 2016.

	2016	2015	2014	2013	2012
Basic loss per share (cents)	(0.26)	(0.4)	(1.4)	(5.2)	(10.2)

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

Oro Verde received a unanimous "yes" vote on its remuneration report for the 2015 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### End of Remuneration Report (Audited)

# DIRECTOR'S REPORT

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the company support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional Australian Securities Exchange information section of this annual report.

## SHARE OPTIONS

At the date of this report, there were 146,000,000 (2015: 149,500,000) share options outstanding.

	Issued	Lapsed	Total number of Options
Balance at the beginning of the year			149,500,000
<i>Share option movements during the year</i>			
Exercisable at 20 cents, on or before 10 January 2016	-	(2,500,000)	(2,500,000)
Exercisable at 4 cents, on or before 31 March 2016	-	(1,000,000)	(1,000,000)
Total options issued and lapsed in the year to 30 June 2016	-	(3,500,000)	(3,500,000)
<b>Total number of options outstanding as at 30 June 2016 and at the date of this report</b>			<b>146,000,000</b>

The balance is comprised the following:

Date Granted	Expiry Date	Exercise Price (cents)	Number of Options
7 October 2014	30 September 2017	1.0	66,000,000
27 November 2014	30 September 2017	1.0	5,000,000
31 March 2015	30 September 2017	1.0	2,000,000
7 October 2014	30 September 2019	5.0	66,000,000
27 November 2014	30 September 2019	5.0	5,000,000
31 March 2015	30 September 2019	5.0	2,000,000
<b>Total number of options outstanding at the date of this report</b>			<b>146,000,000</b>

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

No options were exercised during the financial year and since the end of the financial year no options have been exercised.

## NON AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amount paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

# DIRECTOR'S REPORT

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-audit firms. There were no non-audit related services provided.

	Consolidated	
	2016 \$	2015 \$
<b>1. Audit Services</b>		
Hewitt, Turner & Gelevitis	-	31,517
BDO Audit (WA) Pty Ltd	<b>33,435</b>	-
<b>2. Non audit Services</b>		
Total remuneration for audit services	<b>33,435</b>	31,517

## AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, BDO Audit (WA) Pty Ltd, as presented on page 23 of this Annual Report.

## CHANGE OF AUDITOR

Hewitt Turner & Gelevitis has one partner who is a registered company auditor and as a result does not have another audit partner to rotate off assignment, consequently Hewitt Turner & Gelevitis resigned as auditor after finalisation of the audit for the 2015 financial year. BDO Audit (WA) Pty Ltd consented to act, and were subsequently appointed as auditor on an interim basis until its appointment can be confirmed by shareholders at the 2016 Annual General Meeting.

# DIRECTOR'S REPORT

## EVENTS AFTER REPORTING DATE

Since the end of the year, on 30 August 2016, 70,000,000 shares have been issued at \$0.012 each raising \$840,000 (before expenses of the issue) for working capital; and on 11 August 2016, 22,849,477 shares were issued at an average deemed price of \$0.0076 in lieu of directors' fees.

In addition, in June 2016, the Company secured a \$500,000 bridging loan facility of which \$100,000 was drawn during July 2016. This agreement was terminated when repaid on 7 September 2016.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Signed in accordance with a resolution of the directors,



**W G Martinick**  
**Director**  
**Perth, 23 September 2016**

# DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of Oro Verde Limited, I state that:

1) In the opinion of the directors:

- (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, 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 their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards which, as stated in accounting policy Note 2 to the Financial Statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS), and Corporations Regulations 2001; and
- (b) subject to achievement of the matters as set out in note 2(a), there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2) 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



**W G Martinick**  
**Director**  
**Perth, 23 September 2016**

# AUDITOR'S INDEPENDENCE DECLARATION



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Australia

## DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF ORO VERDE LIMITED

As lead auditor of Oro Verde Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Oro Verde Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Dean Just'.

**Dean Just**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 23 September 2016

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR YEAR ENDED 30 JUNE 2016

	Notes	Consolidated	
		2016 \$	2015 \$
<b>Continuing operations</b>			
<b>Revenue</b>			
Interest Received	3	3,844	10,415
Management fee and rental income	3	53,546	-
Depreciation	9	(3,740)	(170)
Consultants		(70,000)	-
Directors' fees (excluding executives)		(130,001)	(43,332)
Executives salaries, wages and consulting fees		(392,676)	(253,170)
Share based payments		-	(53,840)
Impairment of goodwill		-	(654,060)
Exploration expenses		(748,338)	(196,812)
Exploration expenses reimbursed		463,335	
Impairment of exploration & evaluation expenditure		(184,411)	-
Legal fees		(18,141)	(42,217)
Travel and accommodation		(92,598)	(123,274)
Administration expenses		(189,847)	(215,594)
Insurance		(14,636)	(13,970)
Promotion		(12,883)	(18,231)
<b>Profit/(Loss) from continuing operations before income tax</b>		<b>(1,336,546)</b>	<b>(1,604,255)</b>
Income tax credit/(expense)	5	-	-
<b>Profit/(Loss) from continuing operations after income tax</b>		<b>(1,336,546)</b>	<b>(1,604,255)</b>
<b>Profit /Loss from discontinuing operations</b>	18	-	33,026
<b>Loss for the year</b>		<b>(1,336,546)</b>	<b>(1,571,229)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences in translating foreign controlled entities		(16,335)	(11,254)
Changes to available-for-sale financial assets, net of tax		-	-
<b>Total other comprehensive income net of tax</b>		<b>(16,335)</b>	<b>(11,254)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(1,352,881)</b>	<b>(1,582,483)</b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR YEAR ENDED 30 JUNE 2016

	Notes	Consolidated	
		2016 \$	2015 \$
Earnings per share for loss from continuing operations attributable to the ordinary equity holders			
Basic earnings/(loss) per share (cents)	20	(0.26)	(0.46)
Diluted earnings/(loss) per share (cents)	20	(0.26)	(0.46)
Earnings per share for loss from discontinued operations attributable to the ordinary equity holders			
Basic and diluted earnings/(loss) per share (cents)	20	-	0.01
Total Earnings per share for loss attributable to the ordinary equity holders			
Basic earnings/(loss) per share (cents)	20	(0.26)	(0.45)
Diluted earnings/(loss) per share (cents)	20	(0.26)	(0.45)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR YEAR ENDED 30 JUNE 2016

	Notes	Consolidated	
		2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	16	542,591	534,674
Receivables	6	33,200	17,841
Other	7	4,601	4,652
Total current assets		580,392	557,167
Non-current assets			
Plant and equipment	9	34,307	5,539
Exploration & evaluation expenditure	10	51,748	183,241
Total non-current assets		86,055	188,780
Total assets		666,447	745,947
LIABILITIES			
Current liabilities			
Payables	12	647,594	148,952
Total current liabilities		647,594	148,952
Total liabilities		647,594	148,952
Net assets		18,853	596,995
EQUITY			
Issued capital	14	20,262,385	19,487,646
Reserves	15	4,929,607	4,945,942
Accumulated losses		(25,173,139)	(23,836,593)
Total equity		18,853	596,995

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR YEAR ENDED 30 JUNE 2016

	Notes	Consolidated	
		2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(627,971)	(671,307)
Reimbursement of exploration expenditure		793,858	-
Payments for exploration expenditure		(748,338)	(196,812)
Other revenue		53,546	-
Interest received		3,844	10,415
<b>Net cash flows from/(used in) operating activities</b>	16	(525,061)	(857,704)
<b>Cash flows from investing activities</b>			
Payment for plant and equipment		(32,321)	(5,708)
Cash acquired through acquisition of subsidiary		-	8,747
Cash relinquished on disposal of subsidiary	18	-	(288)
Proceeds from disposal of subsidiary	18	-	1
Payment for project acquisition		(51,748)	(22,254)
<b>Net cash flows from investing activities</b>		(84,069)	(19,502)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares (net of transaction costs)		634,739	1,117,197
Loan repayments		-	(40,000)
<b>Net cash flows from/(used in) financing activities</b>		634,739	1,077,197
<b>Net increase/(decrease) in cash and cash equivalents</b>		25,609	199,991
Cash and cash equivalents at the beginning of the financial year		534,674	334,628
Effect of exchange rate changes on cash and cash equivalents		(17,692)	55
<b>Cash and cash equivalents at the end of the financial year</b>	16	542,591	534,674

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2016

	Ordinary shares \$	Convertible notes Reserve \$	Share option reserve \$	Foreign Currency Translation Reserve \$	Accumulat- ed losses \$	Total \$
At 1 July 2015	19,487,646	136,403	4,810,101	(562)	(23,836,593)	596,995
Loss for the period	-	-	-	-	(1,336,546)	(1,336,546)
Other Comprehensive income	-	-	-	(16,335)	-	(16,335)
Total comprehensive loss for the period	-	-	-	(16,335)	(1,336,546)	(1,352,881)
Transactions with owners in their capacity as owners						
Shares issued during the period	800,342	-	-	-	-	800,342
Transaction Costs	(25,603)	-	-	-	-	(25,603)
Share based payments	-	-	-	-	-	-
At 30 June 2016	20,262,385	136,403	4,810,101	(16,897)	(25,173,139)	18,853

	Ordinary shares \$	Convertible notes Reserve \$	Share option reserve \$	Foreign Currency Translation Reserve \$	Accumulat- ed losses \$	Total \$
At 1 July 2014	18,250,449	136,403	4,102,201	10,692	(22,265,364)	234,381
Loss for the period	-	-	-	-	(1,571,229)	(1,571,229)
Other Comprehensive income	-	-	-	(11,254)	-	(11,254)
Total comprehensive loss for the period	-	-	-	(11,254)	(1,571,229)	(1,582,483)
Transactions with owners in their capacity as owners						
Shares issued during the period	1,275,500	-	-	-	-	1,275,500
Transaction Costs	(38,303)	-	-	-	-	(38,303)
Share based payments	-	-	707,900	-	-	707,900
At 30 June 2015	19,487,646	136,403	4,810,101	(562)	(23,836,593)	596,995

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### 1. CORPORATE INFORMATION

The Consolidated Financial report of Oro Verde Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 23 September 2016. The consolidated financial statements and notes represent those of Oro Verde Limited and its controlled entities (the "Group"). The consolidated entity's functional and presentation currency is AUD (\$). The separate financial statements of the parent entity, Oro Verde Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Oro Verde Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

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*, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial report has also been prepared on an accruals basis and is based on historical cost basis, except for certain available-for-sale financial assets, which have been measured at fair value. The Group is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded that would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial reports and notes also comply with International Financial Reporting Standards.

#### *Going Concern*

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2016 of \$1,336,546 (2015: \$1,571,229) and experienced net cash outflows from operating activities of \$525,061 (2015: \$857,704). At 30 June 2016, the Consolidated Entity had net current liabilities of \$67,201 (30 June 2015: net current assets \$408,215).

The ability of the Consolidated Entity to continue as a going concern is dependent on securing additional funding either through the issue of further shares, convertible notes or a combination of both and Newcrest continuing to fund the Topacio Gold Project in order to continue to actively explore its mineral properties.

These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe there are sufficient funds to meet the Consolidated Entity's working capital requirements and as at the date of this report the Consolidated Entity believes it can meet all liabilities as and when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

The Directors have reviewed the business outlook and the assets and liabilities of the Consolidated Entity and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Consolidated Entity will continue to be successful in securing additional funds through debt or equity issues or partial sale of its mineral properties as and when the need to raise working capital arises.

Should the Consolidated Entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differs from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary if the Consolidated Entity is unable to continue as a going concern.

**(b) New and amended standards adopted by the Group**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for period ended 30 June 2016. The group has applied the following standards and amendments for the first time for their annual year commencing 1 July 2015:

- AASB 2015-3 Amendments to Australian Accounting Standards – Arising from the withdrawal of AASB 1031 Materiality, and
- AASB 2015-4 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.

As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures.

**(c) New Accounting Standards and Interpretations for Application in Future Years**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- ASAB 9 *Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018).

**Nature of Change** AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to classification and measurements rules and also introduced a new impairment model. The latest amendments now complete the new financial instruments standard.

**Impact** Following the changes approved by the AASB in December 2014, the group no longer expects any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities. The group does not hold any debt instruments classified as available-for-sale financial assets. The new hedging rule would not impact the group as the group does not have any hedging arrangements. The new impairment model is an expected credit loss model which may result in the earlier recognition of credit losses. The group has not yet assessed how its own impairment provisions would be affected by the new rules.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

- *AASB 15 Revenue from Contracts with Customers* (applicable for annual reporting period commencing 1 January 2017).

**Nature of Change** The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for good and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial recognition without resting the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

**Impact** This is unlikely to impact the group as the group does not have any revenue from contracts with customers at this stage.

- *AASB 16 Leases* (applicable for annual reporting period commencing 1 January 2018).

**Nature of Change** period. AASB 16 eliminates the operating and finance lease classification for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in the statement of financial position for most leases.

**Impact** Due to the recent release of this standard, the group has not yet made a detailed assessment of the impact of this standard.

**Nature of Change** period. AASB 16 eliminates the operating and finance lease classification for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in the statement of financial position for most leases.

**Impact** Due to the recent release of this standard, the group has not yet made a detailed assessment of the impact of this standard.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### d) **Basis of consolidation**

The parent entity and its subsidiaries are collectively referred to as the “Group”. The parent of this Group is Oro Verde Limited. Entities (including structured entities) over which the parent (or the Group) directly or indirectly exercises control are called “subsidiaries”. The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the Group’s subsidiaries is provided in Note 11.

The assets, liabilities and results of subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group companies are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are referred to as 'non-controlling interests'. The Group recognises any non-controlling interests in subsidiaries on a case-by-case basis either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

### **Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

### **(e) Significant accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### *Share options*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the binominal formula. For options issued in this financial year, the assumptions detailed as per Note 26 were used.

#### *Exploration and evaluation costs*

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current. The future recoverability of exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation assets through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

**(f) Revenue**

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 specific recognition criteria must also be met before revenue is recognised:

*Rendering of services*

Revenue is recognised as the services are provided.

*Sale of goods*

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to the customer, indicating that there has been a transfer of risks and rewards to the customer.

*Interest*

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Dividends*

Revenue is recognised when the entity's right to receive the payment is established.

**(g) Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

**(h) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

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

**(i) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at the bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

**(j) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is raised when there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rates.

**(k) Foreign currency translation**

Both the functional and presentation currency of Oro Verde Limited and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

All resulting exchange differences in the consolidated financial statements are taken to the income statement

**Group companies**

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

**(l) Income tax**

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 based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period 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:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits 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 credits and unused tax losses can be utilised, except:

- when 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; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period 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.

Unrecognised deferred income tax assets are reassessed at each end of the reporting period 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 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 end of the reporting period.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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.

### *Tax consolidation legislation*

Oro Verde Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Oro Verde Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

**(m) 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 statement of financial position.

Cash flows are included in the Statement of Cash Flows 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.

**(n) Property, plant and equipment**

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

Depreciation is calculated on a reducing balance basis over the estimated useful life of the asset as follows:

- Office equipment and fittings - 2.5 to 5.0 years

**(o) Investments and other financial assets**

Investments and financial assets in the scope of AASB 139 *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. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

**(p) Impairment of non financial assets**

At each end of the reporting period, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

Where 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.

**(q) Trade and other payables**

Trade payables and other payables are carried at amortised costs and 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.

**(r) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

**(s) Provisions**

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.

Where 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 determined by discounting the expected future 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.

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

**(t) Share-based payment transactions**

The Group provides benefits to directors, employees and consultants of the Group (with shareholders' approval) in the form of share-based payment transactions, whereby directors, employees and consultants render services in exchange for options over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Oro Verde Limited ('market conditions').

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share

### (u) **Employee leave benefits**

#### (a) *Short term employee benefits*

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

The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

#### (b) *Long term employee benefits*

The liability for long service leave and annual leave entitlements not expected to be settled wholly within 12 months are 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 end of the reporting period. 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 end of the reporting period on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

The Group's obligations for long term employee benefits are presented as non-current provisions in the statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

**(v) 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, net of tax, from the proceeds.

Effective 1 July 1998, the corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the company does not have authorised capital nor par value in respect of its issued capital.

**(w) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares:
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(x) Discontinued Operations**

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale that represents a separate major line of business. The results of discontinued operations are presented separately in the income statement.

**(y) Comparative figures**

When required by accounting standards comparative figures have been adjusted to conform to changes in the presentation for the current financial year.

**(z) Exploration and development expenditure**

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### *Farm-In policy*

The farmee accounts for its expenditure under a farm-in arrangement in the same way as directly incurred exploration expenditure.

### *Farm-out policy*

The farmor records expenditure made on behalf of the farmee but offsets any reimbursements for this expenditure. Not gain or loss on farm-out arrangement is recognised.

### **(aa) Fair Value Assets and Liabilities**

The Group measures some of 'the assets and liabilities it holds at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard (for the respective accounting policies of such assets and liabilities, refer to the latest annual financial statements). 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing buyers and sellers operating in a market. "Market" is taken to mean either a market with the greatest volume and level of activity for such asset or liability, or a market that maximises the receipts from the sale of an asset or minimises the payment made to transfer a liability after taking into account transaction costs and transport costs.

### *Valuation techniques*

The Group selects and uses one or more valuation techniques to measure the fair values of a particular asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered "observable", whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered "unobservable".

### *Fair value hierarchy*

The Group adopts a 'fair value hierarchy' to categorise the fair value measurements derived from the valuation techniques into three levels (as described below). The purpose of this classification is to indicate the relative subjectivity of the fair values derived. This classification is made by prioritising the inputs used in each valuation technique on the basis of the extent to which such inputs are observable.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

Level 1	Level 2	Level 3
Level 1 fair values are considered to be the best indication (and therefore the most reliable evidence) of fair value. Inputs used to measure Level 1 fair values are unadjusted quoted prices for identical assets / liabilities in active markets (eg Australian Securities Exchange) where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.	<p>Inputs used to measure Level 2 fair values are inputs (other than quoted prices included in Level 1) that are observable either directly or indirectly. Level 2 inputs include:</p> <ul style="list-style-type: none"> <li>- quoted prices for similar assets/liabilities in active markets;</li> <li>- quoted prices for similar or identical assets/liabilities in non-active markets;</li> <li>- foreign exchange rates;</li> <li>- market interest rates;</li> <li>- yield curves observable at commonly quoted intervals;</li> <li>- implied volatilities; and</li> <li>- credit spreads.</li> </ul>	Level 3 fair values use unobservable inputs specific to the particular asset or liability because observable inputs are not available for such asset or liability.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### 3. REVENUE

	2016 \$	2015 \$
<b>From continuing operations</b>		
Interest received	3,844	10,415
Management fee and rental income	53,546	-
<b>From discontinued operations</b>		
Profit on sale of subsidiary (refer to note 19)	-	33,026

### 4. EXPENSES AND LOSSES

**Profit/(loss) from continuing operations before income tax includes the following specific expenses**

Depreciation on equipment	3,740	170
Salaries & wages expenses		253,170
Provision for employee entitlements	-	-
Operating lease rentals	42,781	19,666
Directors' benefit expense (excluding executive directors)	130,001	43,332
Exploration expenses	748,338	196,812
Exploration expenditure reimbursed	(463,335)	-
Impairment of exploration & evaluation expenditure	133,001	-

### 5. INCOME TAX

The major components of income tax expense are:

#### **Income Statement**

Current income tax benefit/(expense)	-	-
Deferred income tax benefit/(expense)	-	-
Income tax benefit/(expense) reported in the income statement	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit/(loss) before income tax	(1,336,546)	(1,571,229)
At the Group's statutory income tax rate	(400,964)	(471,369)
Less: Share options expenses during the year	-	212,370
Exploration expenditure	100,924	59,044
Other expenditure not allowable for income tax purposes	27,779	24,047
	(272,261)	(175,908)
Current year tax losses not brought to account	272,261	175,908
Income tax (benefit)/expense reported in the consolidated income statement	-	-

### Deferred Income Tax

Deferred income tax at 30 June relates to the following:

#### Deferred tax liabilities

Prepayments	(1,380)	(1,396)
Total deferred tax liabilities	(1,380)	(1,396)

#### Deferred tax assets

Accrued expenses	4,500	6,000
Capital raising costs	36,750	53,232
Tax assets/losses recognised /(not brought to account)	(39,870)	(57,836)
Total deferred tax assets	1,380	1,396
Net deferred tax liabilities/(asset)	-	-

Other than to offset deferred tax liabilities the Group has not recognised tax losses arising in Australia of \$10,019,119 (2015: \$9,085,720) that may be available for offset against future taxable profits of the companies in which the losses arose. The potential benefit of carried forward losses will only be obtained if assessable income is derived of a nature and, of an amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company provided that :

- (i) the provisions of deductibility imposed by law are complied with;
- (ii) the group satisfies the continuity of ownership test from the period the losses were incurred to the time they are to be utilised; and
- (iii) no change in tax legislation adversely affect the realisation or the benefit from the deductions.

### Tax Consolidation

Oro Verde Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group. Members of the group entered into a tax sharing arrangement in order to allocate the income tax expense to the wholly-owned subsidiaries on a pro-rata basis. The agreement provides for the allocation of income tax liabilities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

### Tax effect accounting by members of the tax consolidated group

The allocation of taxes under the tax sharing and funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company,

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

Oro Verde Limited. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

### 6. RECEIVABLES (Current)

	2016 \$	2015 \$
Trade receivables	33,200	17,841
	<u>33,200</u>	<u>17,841</u>

As at 30 June, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days Other	31-60 days PDNI*	61-90 days PDNI*	91+ days PDNI*	91+days CI*
30 June 2016							
Consolidated	33,200	33,200	-	-	-	-	-
30 June 2015							
Consolidated	17,841	17,841	-	-	-	-	-

\* Past due not impaired ('PDNI'), Considered impaired ('CI')

(b) Fair value and credit risk

Details regarding the fair value and credit risk of current receivables are disclosed in note 24.

(c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 24.

### 7. OTHER (Current)

	2016 \$	2015 \$
Prepayments	4,601	4,652

### 8. OPERATING SEGMENT

The Group has based its operating segment on the internal reports that are reviewed and used by the Board of Directors ("Board") (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group does not have production and is only currently involved in exploration activities. As a consequence, activities in the operating segment are identified by the Board based on the manner in which resources are allocated and the nature of the resources provided.

Based on this criterion, the Board has determined that the Group has one operating segment, being exploration, and the segment operations and results are the same as the Groups results.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

During the period the Company conducted its activities across two geographic locations, being Australia and Nicaragua, operations in Chile ceased in June 2014

2016	Australia \$	Chile \$	Nicaragua \$	Total \$
Revenues	3,844	-	53,546	57,390
Profit/(Loss)	(856,927)	-	(479,619)	(1,336,936)
Non-current assets	-	-	86,055	86,055
Total assets	159,163	-	507,284	666,447
Total liabilities	(259,714)	-	(387,879)	(647,593)

2015	Australia \$	Chile \$	Nicaragua \$	Total \$
Revenues	9,763	-	652	10,415
Profit/(Loss)	(1,402,129)	33,026	(202,126)	(1,571,229)
Non-current assets	-	-	188,780	188,780
Total assets	514,833	-	231,114	745,947
Total liabilities	(103,084)	-	(45,868)	(148,952)

## 9. PLANT AND EQUIPMENT

	Motor Vehicles	Office equipment and fittings \$	Total \$
<b>Year ended 30 June 2016</b>			
At 1 July 2015, net of accumulated depreciation and impairment	-	5,539	5,539
Additions	29,156	3,165	32,321
Depreciation expense for the year	(2,430)	(1,310)	(3,740)
Exchange differences	-	187	187
At 30 June 2016, net of accumulated depreciation and impairment	26,726	7,581	34,307
<b>At 30 June 2016</b>			
Cost	29,156	12,961	42,117
Accumulated depreciation and impairment	(2,430)	(5,380)	(7,810)
Net carrying amount	26,726	7,581	34,307

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### Year ended 30 June 2015

At 1 July 2014, net of accumulated depreciation and impairment

	-	4,762	4,762
Additions	-	5,708	5,708
Relinquished on disposal of subsidiary	-	(4,762)	(4,762)
Depreciation expense for the year	-	(170)	(170)
Exchange differences	-	1	1

At 30 June 2015, net of accumulated depreciation and impairment

### At 30 June 2015

Cost	-	9,796	9,796
Accumulated depreciation and impairment	-	(4,257)	(4,257)
Net carrying amount		5,539	5,539

## 10. EXPLORATION AND EVALUATION EXPENDITURE

	2016 \$	2015 \$
At Cost	51,748	21,637
Fair value on acquisition of subsidiary	133,001	161,604
Impairment of exploration & evaluation expenditure	(133,001)	-
Carrying amount at the end of the financial year	51,748	183,241
Carrying amount at the beginning of the financial year	183,241	-
Additions	51,748	21,637
Acquired on acquisition of subsidiary	-	161,604
Exploration written off on San Isidro concession which is to be relinquished	(184,411)	-
Exchange differences	1,170	-
Carrying amount at the end of the financial year	51,748	183,241

Recovery of the capitalised amount is dependent upon:

- (i) the continuance of the Group's right to tenure of the area of interest;
- (ii) the results of future exploration; and
- (iii) the successful development and commercial exploitation, or alternatively sale.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### 11. INTEREST IN SUBSIDIARIES

The subsidiaries listed below have share capital consisting solely of ordinary shares.

Each country of incorporation is also its principal place of business.

(Non current) Name of Subsidiary	Country of Incorporation	% equity held by consolidated entity	
		2016	2015
E – Resources Pty Ltd	Australia	-	100
And its subsidiary			
Ghazal Minerals Limited	Australia	-	100
Goldcap Resources Pty Limited	Australia	100	100
And its subsidiary			
Minera San Cristobal, S.A.	Nicaragua	100	100

There are no significant restrictions over the Group's ability to access or use assets and settle liabilities of the group.

### 12. PAYABLES (Current)

	2016 \$	2015 \$
Trade creditors and accruals	317,072	148,952
Joint venture contribution received in advance	330,522	-
	<u>647,594</u>	<u>148,952</u>

### 13. PROVISIONS (Current)

Employee benefits	-	-
Opening balance at 1 July	-	23,077
Additional provision	-	-
Amount used	-	(23,077)
Balance at 30 June	<u>-</u>	<u>-</u>

Other than directors as at 30 June 2016 the Group has two employees (2015: one)

Current leave obligations are expected to be settled within 12 months.

### 14. CONTRIBUTED EQUITY

#### (a) Issued and paid up capital

Fully paid ordinary shares	22,003,731	21,203,389
Less: capital raising costs	(1,741,346)	(1,715,743)
	<u>20,262,385</u>	<u>19,487,646</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

### (b) Movements in ordinary share capital

	2016		2015	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	448,948,408	19,487,646	267,156,737	18,250,449
Issued during the year				
7 Aug '14 Issue at \$0.008 (i)	-	-	15,000,000	120,000
14 Aug '14 Issue at \$0.008 (ii)	-	-	77,375,000	619,000
4 Jun '15 Issue at \$0.006 (ii)	-	-	41,666,669	250,000
24 June '15 Issue at \$0.006 (ii)	-	-	47,750,002	286,500
31 Aug '15 Issue at \$0.007 (iii)	10,000,000	70,000	-	-
18 Dec '15 Issue at \$0.006 (ii)	110,057,000	660,342	-	-
10 Jan '16 Issue at \$0.072 (iv)	8,680,556	62,500	-	-
24 June '16 Issue at \$0.064 (iv)	1,098,901	7,500	-	-
Cost of share issues		(25,603)	-	(38,303)
End of the financial year	578,784,865	20,262,385	448,948,408	19,487,646

(i) Shares issued as consideration for acquisition of subsidiary, Goldcap Resources Pty Ltd. Refer to Note 18.

(ii) Funds raised from the share placements during the 2015 and 2016 year were used to progress the Group's exploration activities and for general working capital.

(iii) Issue for consulting services (refer to note 26(d)).

(iv) Issue in lieu of directors' fees and executive service fees – shares issued based on volume average weighted price for the relevant quarter.

### (c) Movements in unlisted options on issue

At the date of this report, there were 146,000,000 (2015: 149,500,000) share options outstanding.

	Issued	Lapsed	Total number of Options
Balance at the beginning of the year			149,500,000
<i>Share option movements during the year</i>			
Exercisable at 20 cents, on or before 10 January 2016	-	(2,500,000)	(2,500,000)
Exercisable at 4 cents, on or before 31 March 2016	-	(1,000,000)	(1,000,000)
Total options issued and lapsed in the year to 30 June 2016	-	(3,500,000)	(3,500,000)
<b>Total number of options outstanding as at 30 June 2016 and at the date of this report</b>			<b>146,000,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

The balance is comprised of the following:

Date Granted	Expiry Date	Exercise Price (cents)	Number of Options
7 October 2014	30 September 2017	1.0	66,000,000
27 November 2014	30 September 2017	1.0	5,000,000
31 March 2015	30 September 2017	1.0	2,000,000
7 October 2014	30 September 2019	5.0	66,000,000
27 November 2014	30 September 2019	5.0	5,000,000
31 March 2015	30 September 2019	5.0	2,000,000
<b>Total number of options outstanding at the date of this report</b>			<b>146,000,000</b>

(d) Staff shares issued

During the year 8,680,556 shares were issued to Mr Woolfe and 1,098,901 shares were issued to Mr Dickson in lieu of fees. (2015: Nil).

(e) Capital Management

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

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

## 15. RESERVES

### Nature and purpose of reserves

#### *Share option reserve*

This reserve records the value of options issued to directors, employees and associates as part of their remuneration.

#### *Convertible note equity reserve*

This reserve records the equity portion attributable to the convertible notes at the time of issue.

#### *Foreign currency translation reserve*

This reserve is used to record exchange differences arising from the translation of foreign controlled subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### 16. STATEMENT OF CASH FLOWS

	2016 \$	2015 \$
Reconciliation of the net profit/(loss) after tax to the net cash flows from operations		
<b>Net profit/(loss)</b>	(1,336,546)	(1,571,229)
Depreciation of plant and equipment	3,740	170
Profit on sale of subsidiary	-	(33,025)
Impairment of exploration & evaluation expenditure	133,001	-
Impairment of goodwill	-	654,060
Share based payments	-	53,840
Fees paid through share issue	140,000	-
Capitalised exploration written off	51,410	-
<i>Changes in assets and liabilities</i>		
Trade receivables	(15,359)	(17,841)
Prepayments	51	(13)
Trade and other creditors	498,642	79,411
Employee entitlements	-	(23,077)
<b>Net cash flows used in operating activities</b>	<b>(525,061)</b>	<b>(857,704)</b>

#### (a) Reconciliation of cash

Cash balance comprises:

Cash at bank		178,568	501,173
Joint venture contributions received in advance	note 12	330,522	-
Short term deposit		33,501	33,501
Closing cash balance		542,591	534,674

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short term deposits are made at various periods on call, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates. At 30 June 2016, the Group had borrowing facilities of \$530,000 (2015: \$30,000). The short term deposit is provided as security for \$30,000 of the facilities. This facility is unutilised at 30 June 2016.

The fair value of cash and cash equivalents is \$542,591 (2015: \$534,764).

The effective interest rate on cash at bank was 1.25% (2015: 1.8%).

#### (b) Non-Cash Financing and Investing activities

During the year the following securities were issued as consideration for services and fees.

- 10,000,000 fully paid ordinary shares issued at \$0.0070 each;
- 8,680,556 fully paid ordinary shares issued at \$0.0072 each; and
- 1,098,901 fully paid ordinary shares issued at \$0.0064 each;

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### 17. EXPENDITURE COMMITMENTS

	2016 \$	2015 \$
<b>(a) Remuneration Commitments</b>		
Commitments for payment of salaries and other remuneration under employment contracts in existence at reporting date but not recognised as liabilities, payable:		
Not later than one year	125,000	250,000
Later than one year and not later than five years	-	125,000
	<u>125,000</u>	<u>375,000</u>

### **(b) Acquisition Commitments**

The Company has entered into an Option to complete a Purchase Agreement ("Agreement") to acquire 100% of the Topacio project in Nicaragua over a 3 year period with the following material terms:

- The Company will commit to a minimum exploration expenditure of US\$2m spend over 3 years;
- There will be US\$40,000 payable to the vendor each six months during the Agreement period;
- The Company may exercise its Option to Purchase by making a payment of US\$1,500,000 plus, at the Vendor's election, either a 2% NSR royalty or a payout of US\$1/oz gold in JORC or NI43-101 compliant resources (measured and indicated);
- Should Oro Verde commence mining operation before exercising the Option to Purchase, the Vendor will receive a NSR of 3% until the Option is exercised; and
- Oro Verde may withdraw from the Agreement at any time.
- At 30 June 2016 and at the date of this report Newcrest Mining Limited is meeting these commitments pursuant to Earn-in and Joint Venture agreement (Refer Note 27)

### 18. DISCONTINUED OPERATIONS

#### **(a) Sale of Green Mining Limitada**

As a result of the acquisition of Goldcap Resources Limited and the focus on Nicaragua, on 8 August 2014 the company reached agreement and sold Green Mining Limitada for US\$1.

#### **(b) Financial Performance and cash flow information.**

Revenue	-	-
Expenses	-	-
Loss before income tax	-	-
Income tax expense	-	-
Profit/(Loss) after income tax of discontinued operations	-	-
Net cash in/(outflow) from operating activities		-
Net cash in/(out) flow from Investing activities		(287)
Net cash in/(out) flow from financing activities		-
Net decrease in cash used by the division		(287)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
(c) Details of the sale		
Consideration	-	1
Less: carrying value of net assets/(liabilities) sold		
Cash	-	288
Receivables	-	284,373
Less impairment of receivable	-	(284,373)
Plant and equipment	-	4,762
Trade creditors	-	(10,689)
Provision for employee entitlements	-	(27,385)
Net liabilities sold	-	(33,024)
Gain on sale before income tax	-	33,025
Income tax expense	-	-
Gain on sale after income tax expense	-	33,025

### 19. SUBSEQUENT EVENTS

Since the end of the year, on 30 August 2016, 70,000,000 shares have been issued at \$0.012 each raising \$840,000 (before expenses of the issue) for working capital; and on 11 August 2016, 22,849,477 shares were issued at an average deemed price of \$0.0076 in lieu of directors' fees.

In addition, in June 2016, the Company secured a \$500,000 bridging loan facility of which \$100,000 was drawn during July 2016. This agreement was terminated when repaid on 7 September 2016.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

### 20. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary Owners of the parent, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary Owners of the parent by the weighted average number of ordinary shares during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

The following reflects the income / (loss) and share data used in the calculations of basic and diluted earnings per share:

	2016 Cents	2015 Cents
<b>(a) Basic and diluted earnings per share</b>		
From continuing operations attributable to the ordinary Owners of the company	(0.23)	(0.46)
From discontinued operations attributable to the ordinary Owners of the company	-	0.01
	\$	\$

### (b) Reconciliations of earnings used in calculating earnings per share

Profit/(Loss) attributable to the ordinary Owners of the company used in calculating basic and diluted earnings per share

From continuing operations	(1,203,545)	(1,604,255)
From discontinued operations	-	33,026

	Number	Number
Weighted average number of ordinary shares on issue used in the calculation of continuing and discontinued basic and diluted earnings per share	519,948,565	352,436,760

### (c) Effect of dilutive securities

Options on issue at reporting date could potentially dilute basic earnings per share in the future. The effect in the current year is to decrease the loss per share hence they are considered anti-dilutive. Accordingly diluted loss per share has not been disclosed.

## 21. AUDITORS' REMUNERATION

	2016 \$	2015 \$
Amounts received or due for an audit or review of financial statements:		
Hewitt, Turner & Gelevitis	-	31,517
BDO Audit (WA) Pty Ltd	33,435	-
	<u>33,435</u>	<u>31,517</u>
<i>Remuneration of other auditors of subsidiaries:</i>		
- an audit or review of financial report of subsidiaries	<u>16,403</u>	<u>21,120</u>

## 22. KEY MANAGEMENT PERSONNEL

### Compensation of key management personnel by compensation

Short-term	455,950	325,307
Post employment	712	-
Share-based payment	-	41,200
	<u>456,662</u>	<u>366,507</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### 23. RELATED PARTY DISCLOSURE

#### (a) Subsidiaries

The consolidated financial statements include the financial statement of Oro Verde Limited and the subsidiaries listed in the following table.

Name	Country of incorporation	Equity interest		Investment	
		2016 %	2015 %	2016 %	2015 %
E-Resources Pty Ltd	Australia	-	100	-	1
Ghazal Minerals Limited	Australia	-	100	-	-
Goldcap Resources	Australia	100	100	120,000	120,000
and its 100% owned subsidiary					
Minera San Cristobal, S.A.	Nicaragua	100	100	-	-
				120,000	120,001

#### (b) Ultimate parent

Oro Verde Limited is the ultimate parent entity.

#### (c) Other

The Company has entered into a sub-lease agreement on normal commercial terms with Azure Minerals Limited, a company of which Dr Martinick and Mr Rovira are directors. During the year the Company paid sub-lease fees totalling \$4,800 (2015: \$4,800).

#### (d) Loans to/from Key Management Personnel

There were no loans outstanding to or from key management personnel as at 30 June 2016 (2015: Nil).

#### (e) Other transactions and balances with Key Management Personnel

Amounts due and unpaid at 30 June 2016 to Key Management Personnel include:

- 1 Directors fees totalling \$165,833; and
- 2 Consulting fees to Shordean Pty Ltd, a related party of Mr Woolfe.

### 24. FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management

The Group's financial instruments comprise receivables, payables, finance leases, available for sale investments and cash.

The Group's main risks arising from the financial instruments are:

- (i) interest rate risk,
- (ii) liquidity risk,
- (iii) credit risk
- (iv) foreign currency risk.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### Risk Exposures and Responses

#### (i) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Group's income. The objective of interest rate risk management is to manage and control risk exposures within acceptable parameters, while optimising any return. As the Group has interest bearing assets, the Group's income and operating cash flows are exposed to changes in market interest rates. The assets are short term interest bearing deposits. The Group does not have any policy in place and no financial instruments are employed to mitigate interest rate risks.

At balance date, the Group had the following financial assets exposed to Australian and Nicaraguan variable interest rate risk:

	2016 \$	2015 \$
<b>Australia</b>		
<b>Financial assets</b>		
Cash at bank	147,842	497,955
<b>Nicaragua</b>		
<b>Financial assets</b>		
Cash at bank	394,750	36,719

The Group has no interest bearing liabilities and is therefore not exposed to interest rate risks.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period. The 1% sensitivity is based on reasonable possible change over the financial year using the observed range for the historic 2 years.

*At 30 June, if interest rates had moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:*

Judgements of reasonably possible movements:	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2016 \$	2015 \$	2016 \$	2015 \$
<b>CONSOLIDATED</b>				
+1% (100 basis points)	5,426	5,347	5,426	5,347
-1% (100 basis points)	(5,426)	(5,347)	(5,426)	(5,347)

The movements in profit and equity are due to higher/lower interest costs from variable rate cash balances.

#### (ii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### 24. FINANCIAL INSTRUMENTS (Continued)

#### (ii) Liquidity Risk (Continued)

The Group has no derivative financial instruments.

*The remaining contractual maturities of the Group's financial liabilities are:*

	2016 \$	2015 \$
6 months or less	664,666	148,952
6 – 12 months	-	-
1 – 5 years	-	-
	664,666	148,952

*Maturity analysis of financial assets and liability based on management's expectation*

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and (outflows). Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the Group's overall liquidity risk.

	<6 months	6 – 12 months	1 – 5 years	> 5 years	Total
	\$	\$	\$	\$	\$

#### CONSOLIDATED

*Year ended 30 June 2016*

#### Financial assets

Cash & cash equivalents	542,591	-	-	-	542,591
Trade & other receivables	33,200	-	-	-	33,200
	575,791	-	-	-	575,791

#### Financial liabilities

Trade & other payables	647,593	-	-	-	647,593
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#### Net Maturity

(71,802)	-	-	-	(71,802)
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*Year ended 30 June 2015*

#### Financial assets

Cash & cash equivalents	534,674	-	-	-	534,674
Trade & other receivables	17,841	-	-	-	17,841
	552,515	-	-	-	552,515

#### Financial liabilities

Trade & other payables	(148,952)	-	-	-	(148,952)
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#### Net Maturity

403,563	-	-	-	403,563
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# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### (iii) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets of the Group, which comprises of cash and cash equivalents, trade and other receivables and available for sale financial assets.

The Group does not hold any credit derivatives to offset its exposure.

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

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

The Group places its cash deposits with institutions with a credit rating of AA or better and only with major banks.

### Fair value

The fair values of financial assets and liabilities approximate their carrying amounts shown in the statement of financial position due to their short term nature. The carrying amounts of financial assets and liabilities as described in the statement of financial position are as follows:

#### CONSOLIDATED

	CARRYING AMOUNT		AGGREGATE NET FAIR VALUE	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>FINANCIAL ASSET</b>				
Cash	542,591	534,674	542,591	534,674
Receivables	33,200	17,841	33,200	17,841
Total financial assets	575,791	552,515	575,791	552,515
<b>FINANCIAL LIABILITIES</b>				
Trade creditors and accruals and other creditors	647,593	148,952	647,593	148,952
Total financial liabilities	647,593	148,952	647,593	148,952

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

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and payables: The carrying amount approximates fair value.

### (iv) Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the United States Dollar (USD) and Nicaragua Cordoba (NiC). The currencies in which the transactions primarily are denominated are USD and NiC.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

### Exposure to currency risk

The Group's exposure to foreign currency risk at balance date, expressed in Australian dollars (AUD), was:

	2016 (AUD) NiC	2015 (AUD) CP
Cash	394,750	36,719
Trade Receivables	26,480	5,615
Trade Payables	(387,879)	(45,868)
Gross Statement of Financial Position Exposure	33,351	(3,534)
Forward exchange contracts	-	-
Net Exposure	33,351	(3,534)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
AUD/NiC	20.2	22.1	21.2	20.6

### Sensitivity analysis

Over the reporting period there have been significant movements in the Australian dollar when compared to other currencies, it is therefore considered reasonable to review sensitivities base on a 10% movement in the Australian dollar. A 10 percent movement of the Australian dollar against the Nicaraguan Cordoba at 30 June would have affected equity and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

	Equity \$	Profit or loss \$
<b>30 June 2016</b>	+/- 3,335	-
Nicaragua Cordoba		
<b>30 June 2015</b>		
Nicaragua Cordoba	+/- 353	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### 25. PARENT ENTITY FINANCIAL INFORMATION

#### (a) Summary Financial Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards:

	2016 \$	2015 \$
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	159,163	514,642
Non-Current assets	120,000	120,000
Total assets	279,163	634,642
<b>LIABILITIES</b>		
Current liabilities	259,714	103,083
Total liabilities	259,714	103,083
<b>EQUITY</b>		
Issued capital	20,262,385	19,487,646
Reserves		
Share-option	4,810,101	4,810,101
Convertible note equity	136,403	136,403
Accumulated losses	(25,189,440)	(23,902,591)
Total Equity	19,449	531,559
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Total profit/(loss)	(856,926)	(1,691,826)
Total comprehensive income/(loss)	(856,926)	(1,691,826)

#### (b) Guarantees

Oro Verde Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

#### (c) Contingent liabilities

Oro Verde Limited did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

#### (d) Contracted commitments for the acquisition of property, plant or equipment

Oro Verde Limited did not have any commitments for the acquisition of property, plant or equipment.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

### 26. SHARE BASED PAYMENTS

Details of each class of option issues are set out below.

#### (a) Employee and consultants option plan

The establishment of the Oro Verde Option Plan ("Plan") was approved by shareholders at the 2011 Annual General Meeting. The plan is designed to provide long-term incentives for employees and certain contractors to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive guaranteed benefits. In addition, under the Plan, the Board determines the terms of the options including exercise price, expiry date and vesting conditions, if any.

Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the company with full dividend and voting rights.

No options were issued under the plan in 2016 (2015: Nil) and no options are on issue.

#### (b) Directors and executive options

No options were issued to senior executives during 2016 (2015: 14,000,000). Set out below are summaries of options issued to senior executives.

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
27 Nov '14	30 Sep '17	1.0	0.46	5,000,000	-	-	-	5,000,000	5,000,000
27 Nov '14	30 Sep '19	5.0	0.37	5,000,000	-	-	-	5,000,000	5,000,000
31 Mar '15	30 Sep '17	1.0	0.35	2,000,000	-	-	-	2,000,000	2,000,000
31 Mar '15	30 Sep '19	5.0	0.28	2,000,000	-	-	-	2,000,000	2,000,000
<b>TOTAL</b>				<b>14,000,000</b>	-	-	-	<b>14,000,000</b>	<b>14,000,000</b>
Weighted average exercise price				\$0.03				\$0.03	\$0.03

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.2 years (2014: 3.2).

#### *Fair value of director options granted*

No options were granted during the 2016 financial year options were granted for no consideration and the weighted average fair value of the options granted was 0.38 cents. The price was calculated by using the Binominal Option valuation methodology applying the following input:

	2015
Weighted average exercise price (cents)	3.0
Weighted average life of the option (years)	3.75
Weighted average underlying share price (cents)	0.77
Expected share price volatility (%)	100
Risk free interest rate (%)	2.32

Total expenses arising from share-based payment transactions to executives in their capacity as executives recognised during the period were as follows

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

	Consolidated	
	2016 \$	2015 \$
Options issued to executives	-	53,840

### (c) Contractor and other options

No options were issued during the 2016 financial year. During 2015 132,000,000 options were issued as part consideration for the acquisition of Goldcap Resources Limited (refer note 18). Of those options 44,000,000 were issued to Brett Dickson who was Company Secretary of Oro Verde Limited at the time of issue and was elected a director on 21 November 2014 and 44,000,000 were issued to Anthony Rovira who was elected as a director on 21 November 2014.

Set out below are summaries of options issued to contractors, unrelated third parties and key management personnel for the acquisition of Goldcap Resources Limited.

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at end of the year
7 Oct '14	30 Sep '17	1.0	0.55	66,000,000	-	-	-	66,000,000	66,000,000
7 Oct '14	30 Sep '19	5.0	0.44	66,000,000	-	-	-	66,000,000	66,000,000
28 Nov '11	10 Jan '16	20.0	15.76	2,500,000	-	-	(2,500,000)	-	-
15 Oct '13	31 Mar '16	4.0	0.38	1,000,000	-	-	(1,000,000)	-	-
<b>TOTAL</b>				<b>135,500,000</b>	<b>-</b>	<b>-</b>	<b>(3,500,000)</b>	<b>132,000,000</b>	<b>132,000,000</b>
Weighted average exercise price				\$0.03			\$0.15	\$0.03	\$0.03

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.2 years (2015: 3.2years).

### *Fair value of options granted.*

No options were granted during the 2016 financial year. Options granted during the 2015 financial year were granted as part consideration for the acquisition of Goldcap Resources Limited. During the 2015 financial year the weighted average fair value of the options granted was 0.48 cents. The price was calculated by using the Binominal Option valuation methodology applying the following input.

	2016	2015
Weighted average exercise price (cents)	-	3.0
Weighted average life of the option (years)	-	3.98
Weighted average underlying share price (cents)	-	0.9
Expected share price volatility (%)	-	100
Risk free interest rate (%)	-	2.78

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2016

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

	Consolidated	
	2016 \$	2015 \$
Options issued to contractors and others as consideration for the acquisition of Goldcap Resources Limited	-	654,060

### (d) Other

On 31 August 2015 the Company issued 10,000,000 shares to an unrelated party for identifying and providing assistance in acquiring the Topacio project. The Shares were valued at the date issued based on the Company's share price current at that time.

## 27. JOINT VENTURES

In late 2015 the Company announced it had entered into a Farm-In and Joint Venture Agreement ("the Agreement") with Newcrest International Pty Limited, a wholly owned subsidiary of Newcrest Mining Limited to explore for large, high grade epithermal gold deposits on the Topacio Gold Project.

Under the Agreement Newcrest will sole fund an initial minimum commitment of US\$500,000 of direct expenditure on the Project, within the first 12 months ("the Minimum Commitment"), designed to test the potential for a large scale, mineralised epithermal gold system. Key terms of the Agreement are:

- Newcrest may withdraw from the Agreement once the Minimum Commitment has been satisfied or paid out in cash to Oro Verde.
- Once the Minimum Commitment is satisfied, Newcrest may elect to continue to farm-in by sole funding additional expenditure on the Project of US\$2.2 million by 25 August 2017.
- If the additional expenditure commitment is met, and Newcrest elects to continue, it will then be obliged to fund the US\$1.5 million option exercise payment to the vendor. If the vendor has chosen, at this point, to be paid out on the basis of JORC or NI 43-101 compliant resources (measured and indicated), Newcrest will also fund this payment.
- Through this first stage of the Farm-in, Newcrest will also be required to fund vendor payments (US\$40,000 each six months), tenement holdings costs and management fee to Oro Verde (at standard industry rates)

At this point Newcrest will have funded Oro Verde's 100% acquisition of the Topacio Gold Project and, in turn, will have earned a 51% share and a joint venture will be created (Oro Verde 49%: Newcrest 51%).

- Upon earning its 51% interest, Newcrest may then elect to earn an additional 24% interest (for a total Joint Venture interest of 75%), by spending an additional US\$3.5 million, including tenement holding costs, over the next three years on the Project.

Oro Verde is the current Project Manager taking advantage of the Company's existing team, contacts and infrastructure, based in Managua. Newcrest will provide technical assistance to the Oro Verde team during this phase.

At 30 June 2016 Newcrest expenditure is approximately US\$291,500.

# INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ORO VERDE LIMITED AND CONTROLLED ENTITIES



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## INDEPENDENT AUDITOR'S REPORT

To the members of Oro Verde Limited

### Report on the Financial Report

We have audited the accompanying financial report of Oro Verde Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other 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 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.

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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Oro Verde Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



### Opinion

In our opinion:

- (a) the financial report of Oro Verde Limited 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 1.

### Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report which describes the conditions that give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

### Report on the Remuneration Report

We have audited the Remuneration Report included in page 10 to 14 of the directors' report of the Financial Accounts 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 Oro Verde Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in dark ink, appearing to read 'Dean Just', written over the BDO logo.

Dean Just

Director

Perth, 23 September 2016

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

## Approach to Corporate Governance

Oro Verde Limited ACN 083 646 477 (Company) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3<sup>rd</sup> edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at <http://www.oroverde.com.au/pages/corporate-governance>:

## Charters

Board

Audit and Risk Committee

Nomination Committee

Remuneration Committee

## Policies and Procedures

Policy and Procedure for the Selection and (Re)Appointment of Directors

Process for Performance Evaluations

Securities Trading Policy

Code of Conduct (summary)

Diversity Policy (summary)

Continuous Disclosure Policy (summary)

Continuous Disclosure Compliance Procedures (summary)

Shareholder Communication and Investor Relations Policy

The Board reviewed its governance-related documentation subsequent to the end of the 2015/2016 financial year (**Reporting Period**), and adopted updated documentation on 23 September 2016.

The Company reports below on whether it has followed each of the recommendations during the Reporting Period. This statement was approved by a resolution of the Board on, and the information in this statement is current as at, 23 September 2016.

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

## **Principle 1 – Lay solid foundations for management and oversight**

**Recommendation 1.1 - A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.**

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter, which is disclosed on the Company's website.

**Recommendation 1.2 - A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.**

The Company undertakes appropriate checks prior to appointing a director, or putting that person forward as a candidate for election to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director.

The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the re-election. During the Reporting Period, relevant information was provided to shareholder in connection with the re-election of Mr Martinick. Further, relevant information about Messrs Woolfe, Rovira and Dickson who were elected at the Company's annual general meeting on 24 November 2015 was provided in the Company's 2015 annual report.

The Company's Policy and Procedure for Selection and (Re)Appointment of Directors now addresses both the checks that the Company will undertake before appointing a person, or putting a person forward for election, and the information provided to shareholders in connection with a decision on whether to elect or re-elect a director.

**Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.**

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Managing Director, any of its directors, and any other person or entity who is related party of the Managing Director or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

**Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.**

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

**Recommendation 1.5 - A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

The Company has a Diversity Policy. However, the Diversity Policy does not include requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. Nor has the Board set measurable objectives for achieving gender diversity. Given the Company's stage of development as an exploration company, the number of employees in Australia and the nature of the labour market in Nicaragua, the Board considers that it is not practical to set measurable objectives for achieving gender diversity. During the Reporting Period, the Diversity Policy was not disclosed on the Company's website due to an administrative oversight, however a summary of the Company's Diversity Policy is now disclosed on the Company's website.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. "Senior executive" for these purposes means a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the company's financial standing. This therefore includes the Managing Director and the Finance Director & Company Secretary.

	Proportion of women
Whole organisation (including the Board)	1 out of 8 (12.5%)
Senior executive positions	0 out of 2 (0%)
Board	0 out of 5 (0%)

**Recommendation 1.6 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Chair is responsible for evaluation of the Board and individual directors. The Board has not established any committees. The evaluations are undertaken by way of questionnaires which are completed by each director. The Chair, in consultation with the Company Secretary, then reviews the questionnaires and holds a round table discussion with the Board to discuss the questionnaires. The Chair holds discussions with individual directors if required. This process is now reflected in the Company's Process for Performance Evaluations, which is disclosed on the Company's website. During the Reporting Period an evaluation of the Board, its committees, and individual directors took place in accordance with the process disclosed above.

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

**Recommendation 1.7 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Managing Director is responsible for evaluating the performance of senior executives. The evaluations are performed by conducting interviews with the senior executive, as required. This process is now reflected in the Company's Process for Performance Evaluations, which is disclosed on the Company's website. During the Reporting Period an evaluation of the Finance Director and Company Secretary took place in accordance with the process disclosed above.

The Chairman is responsible for evaluating the Managing Director. The Chair conducts a performance evaluation of the Managing Director by way of formal discussion during which his performance is assessed against key performance indicators set the previous year. In addition, key performance indicators are agreed for the following year. This process is now reflected in the Company's Process for Performance Evaluations, which is disclosed on the Company's website. During the Reporting Period an evaluation of the Managing Director took place in accordance with the process disclosed above.

## **Principle 2 – Structure the board to add value**

**Recommendation 2.1 - The board of a listed entity should:**

**(a) have a nomination committee which:**

- (1) has at least three members, a majority of whom are independent directors; and**
- (2) is chaired by an independent director, and disclose:**
- (3) the charter of the committee;**
- (4) the members of the committee; and**
- (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

**(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

The Board has not established a separate Nomination Committee. The Board believes that there would be no efficiencies or other benefits gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. The Board carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when nomination related matters are considered by ensuring that the director with conflicting interests is not party to the relevant discussions.

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

**Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.**

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is represented by the Board's current composition, which includes extensive geological experience and qualifications, experience in environmental management, experience in Nicaragua, accounting qualifications and financial management skills, leadership, governance and strategy.

While the Company is at exploration stage, it does not wish to increase the size of the Board, and considers that the Board weighted towards technical experience is appropriate at this stage of the Company's development. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

**Recommendation 2.3 - A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.**

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations.

Details of the Board of directors, their appointment dated, length of service and independence status is as follows:

Director's name	Appointment date	Length of service at reporting date	Independence status
W G Martinick Non-executive Chairman	13 Jan. 2003	12 years	Not independent due to previously held position as Managing Director
B L Farrell Non-executive Director	8 Aug. 2011	4 years	Not independent due to previously held position as Technical Director during the period 2011 to 2014
T I Woolfe Managing Director	25 Feb. 2015	1 year	Not independent
B D Dickson Finance Director	21 Nov. 2014	1 year	Not independent
A P Rovira Non-executive director	21 Nov. 2014	1 year	Independent

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

**Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.**

The Board does not have a majority of directors who are independent. The Board does not wish to increase its size at present, and considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise relevant to the Company's business.

**Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.**

The non-independent Chair of the Board is W G Martinick who is not also the current Managing Director. Mr Martinick is not independent by virtue of his previous executive role as Managing Director. While the Board recognises the importance of the need for the independence of the Chair, the Board currently considers that Mr Martinick is the most appropriate person for the position of Chairman given his industry experience, and the size and current activities of the Company. The Board also believes that Mr Martinick's appointment as Chair is in line with shareholder expectations. Mr Martinick is not also the Company's Managing Director, which position is held by Mr Woolfe.

Subsequent to the Reporting Period, the Board appointed Mr Anthony Rovira, who is an independent director, as senior independent director of the Company to take over the role of the Chair whenever the Chair is conflicted; assist the Board in reviewing the performance of the Chair; and provide a separate channel of communication for security holders (especially where those communications concern the Chair).

**Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.**

New directors undertake an induction program coordinated by the Company Secretary that briefs and informs the director on all relevant aspects of the Company's operations and background. During the Reporting Period a director development program was also available to ensure that directors can enhance their skills and remain abreast of important developments, including education on developments in accounting standards.

## **Principle 3 – Act ethically and responsibly**

**Recommendation 3.1 - A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.**

The Company has established a Code of Conduct for its directors, senior executives and employees, a summary of which is disclosed on the Company's website.

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

## Principle 4 – Safeguard integrity in corporate reporting

**Recommendation 4.1 - The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Board has not established a separate Audit Committee. The Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. During the Reporting Period, the Board performed the role of Audit Committee, and since 23 September 2016 will perform the role of Audit and Risk Committee. Items that were usually required to be discussed by an Audit Committee (now Audit and Risk Committee) are marked as separate agenda items at Board meetings when required. During the Reporting Period, the Board carried out those functions which were delegated to it in the Company's Audit Committee Charter (now the Audit and Risk Committee Charter). The Board deals with any conflicts of interest that may occur when considering audit related matters by ensuring that the director with conflicting interests is not party to the relevant discussions. The independent directors are available to meet separately with the external auditor should this be considered necessary.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit and Risk Committee Charter, which includes the Procedure for Selection, Appointment and Rotation of External Auditor, are disclosed on the Company's website.

**Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.**

Before the Board approved the Company financial statements for the half year ended 31 December 2015 and the full-year ended 30 June 2016, it received from the Managing Director and the Finance Director a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively (**Declaration**).

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

The Board did not receive a Declaration for each of the quarters ending 30 September 2015, 31 December 2015, 31 March 2016 and 30 June 2016 because in the Board's view its quarterly reports are not financial statements to which the Declaration can be appropriately given.

**Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit**

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, must arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company informs its Auditor of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

A representative of the Company's auditor, Hewitt, Turner & Gelevitis attended the Company's annual general meeting held on 24 November 2015.

**Principle 5 – Make timely and balanced disclosure**

**Recommendation 5.1 - A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.**

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. These policies and procedures were updated on 23 September 2016. A summary of the Company's Continuous Disclosure Policy and Compliance Procedures are disclosed on the Company's website.

**Principle 6 – Respect the rights of security holders**

**Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.**

The Company provides information about itself and its governance to investors on its website at [www.oroverde.com.au](http://www.oroverde.com.au).

**Recommendations 6.2 - A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.**

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. During the Reporting Period, this program was not documented but involved the Company endeavouring to meet with shareholders upon request, and responding to any enquiries they may make from time to time, ad hoc interactions with investors, brokers and analysts. The Company also shareholdes the option to receive communications from, and send communications to, the Company and its security registry electronically. Further, shareholders and other investors are also able to register on the Company's website to receive information updates about the Company.

The program is now documented in the Company's Shareholder Communication and Investor Relations Policy, which is disclosed on the Company's website.

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2016

**Recommendations 6.2 - A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.**

During the Reporting Period, the Company had in place a Shareholder Communication Policy, which outlined its approach to general meetings and was disclosed on the Company's website.

The Company now has in place an updated Shareholder Communication and Investor Relations Policy, which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders, and is disclosed on the Company's website.

**Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.**

The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Security Transfer Registrars Pty Ltd at [www.securitytransfers.com.au](http://www.securitytransfers.com.au).

## Principle 7 – Recognise and manage risk

**Recommendations 7.1 - The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework**

The Board has not established a separate Risk Committee. The Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, during the Reporting Period, the Board performed the role of Risk Committee, and now performs the role of Audit and Risk Committee as outlined in relation to the disclosure against Recommendation 4.1 above.

During the Reporting Period, the Board had in place a Risk Management Policy. Under that policy, the Board oversaw the processes by which risks were managed. This included defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. Management was responsible for the implementation of the risk management and internal control system to manage the Company's risk and reported to the Board whether those risks were being effectively managed. On 23 September 2016, the Board adopted an updated Risk Management Policy.

The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse those risks, evaluate those risks (including assigning a risk owner to each risk) and treat those risks. The risk register is reviewed, and if required updated, on at least an annual basis, or more often if required. Where required or necessary (as determined by the Managing Director's monthly report to the Board on all matters associated with risk management), risk is an agenda item at Board meetings. The Company's risk management framework is monitored and reviewed through a series of risk activities performed by the Managing Director, the Board and other Company personnel.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks.

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**Recommendation 7.2 - The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.**

The Board reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Board carried out these reviews during the Reporting Period.

**Recommendation 7.3 - A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

**Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.**

As the Company is not in production, the Company has not identified any material exposure to any environmental and/or social sustainability risks. However, the Company does have a material exposure to the following economic risks:

- i. Market risk – movements in commodity prices. The Company manages its exposure to market risk by monitoring market conditions, and making decisions based on industry experience.
- ii. Future capital risk – cost and availability of funds to meet the Company's business requirements. The Company manages this risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Refer to commentary at Recommendations 7.1 and 7.2 for information on the Company's risk management framework.

## **Principle 8 – Remunerate fairly and responsibly**

**Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Board has not established a separate Remuneration Committee. The Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee.

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Remuneration Committee. The Company's Remuneration Committee Charter is disclosed on the Company's website

Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. The Board carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when considering remuneration related matters by ensuring that the director with conflicting interests is not party to the relevant discussions.

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**Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report and commences at page 10. The Company has not adopted a policy regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements as other punitive measures, including dismissal, are available to be utilised by the Company.

**Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.**

The Company's Securities Trading Policy includes a statement of the Company's policy on prohibiting executives and directors from entering into transactions which limit the economic risk of participating in any equity based remuneration scheme.

# ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not disclosed elsewhere in this report is as follows. The information is current as at 8 September 2016.

## (a) Statement of shareholdings

Range	Names of 20 largest shareholders	Ordinary Shares		
		Fully paid		
		No of holders	No. of shares held	% held
100,001 or more	Inkjar Pty Ltd	1	43,801,282	6.52
	Martinick Inv PL	1	41,212,761	6.14
	Berenes Nominess PL <Berenes S/F A/C>	1	32,125,114	4.78
	Rovira Anthony Paul	1	27,653,586	4.12
	Merrill Lynch (Australia) Nominees Pty Ltd	1	25,200,000	3.75
	Merrill Lynch (Australia) Nominees Pty Ltd	1	17,500,000	2.61
	Shordean Pty Ltd	1	17,058,571	2.54
	Mr Mark Andrew Tkocz	1	15,333,333	2.28
	Dickson BD & GF <Superfund A/C>	1	12,500,000	1.86
	Molina Sergio Rios	1	10,000,000	1.49
	Kahala Keys Pty Ltd	1	8,215,000	1.22
	Dr Wolf Gerhard Martinick	1	6,871,447	1.02
	A Di Bella Pty Ltd	1	6,212,222	0.92
	Mr Garry Temple	1	6,200,000	0.92
	Challenge Resources Pty Ltd	1	6,157,916	0.92
	Mr Brett Douglas Dickson	1	6,045,330	0.90
	A J Field Consultants Pty Ltd	1	6,000,000	0.89
	Wildglade PL	1	5,950,000	0.89
	Ms Ria Rovira	1	5,625,000	0.84
	Mr Nicholas James Lambos	1	5,094,516	0.76
		20	304,756,078	45.37
	Various	403	350,989,910	52.26
	Sub-total			
10,001 - 100,000	Various	293	14,487,971	2.16
5,001 - 10,000	Various	93	727,923	0.11
1,001 - 5000	Various	224	562,666	0.08
1 - 1,000	Various	247	109,794	0.02
<b>Total</b>		<b>1,280</b>	<b>671,634,342</b>	<b>100.00</b>
	Holding an unmarketable parcel	700	4,693,171	0.70

# ASX ADDITIONAL INFORMATION

The Company has the following unquoted options on issue.

	No of holders	Number of options
30 September 2017, 1 cent options	8	73,000,000
30 September 2019, 5 cent options	8	73,000,000

## Restricted Securities

There are no restricted securities.

## (b) Voting rights

All ordinary shares carry one vote per share without restriction.

## (c) Market buy-back

There is no current on-market buy-back of shares.

## (d) Substantial Shareholders

As at 8 September 2016, shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001.

Beneficial Owner	No of Shares
Dr Bradford Farrell	47,101,281

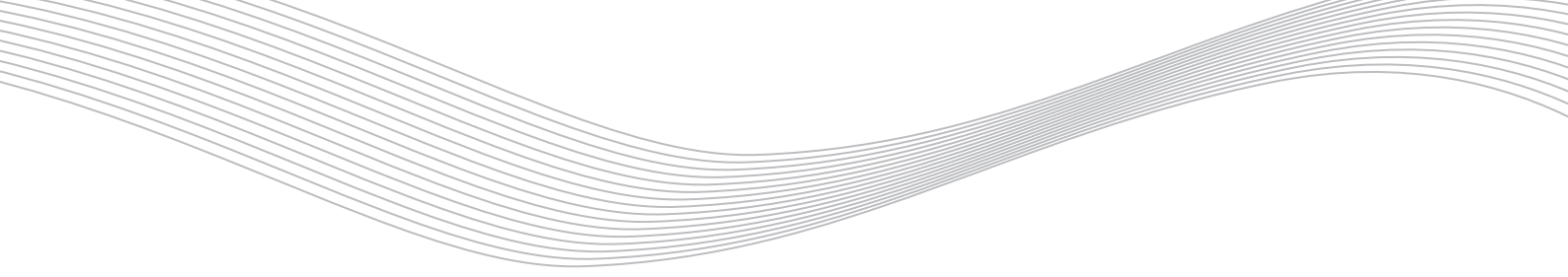
## SCHEDULE OF MINING TENEMENTS HELD

Project	Common	Type of Concession		Percentage Held
	Name	Concession	No.	
Hemco—SID	San Isidro	Exploration	1351	100%
Presillitas	Topacio	Exploration	39	0% <sup>1</sup>

1. Oro Verde Limited holds a right to acquire 100% interest in this project.



# NOTES





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