

For personal use only



**2017** 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  
34 Colin Street  
West Perth, WA 6005  
Telephone: 08 9481 2555  
Fax: 08 9485 1290

## Share Registry

Security Transfer Australia 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

## Solicitors

Steinepreis Paganin  
16 Milligan Street  
Perth, WA 6000

## STOCK EXCHANGE

Australian Securities Exchange  
Code: OVL

## Website

[www.ooverde.com.au](http://www.ooverde.com.au)

For personal use only

	PAGE
<b>DIRECTORS' REPORT</b>	<b>4</b>
<b>DIRECTORS' DECLARATION</b>	<b>23</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>24</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>25</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>26</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>27</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>28</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>29</b>
<b>INDEPENDENT AUDIT REPORT</b>	<b>63</b>
<b>CORPORATE GOVERNANCE STATEMENT</b>	<b>66</b>
<b>ASX ADDITIONAL INFORMATION</b>	<b>74</b>

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 25 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) – Appointed 21 November 2014

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. He is a non-executive director of Kalbar Resources Ltd.

# DIRECTOR'S REPORT

**A P Rovira** BSc (Hons), MAusIMM - (Non-Executive Director) - Appointed 21 November 2014

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	51,534,654	-
T I Woolfe	22,984,497	10,000,000
B D Dickson	13,545,330	44,000,000
B L Farrell	47,101,281	-
A P Rovira	29,727,016	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 5 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	5	4
T I Woolfe	5	5
B D Dickson	5	5
A P Rovira	5	5
B L Farrell	5	5

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 2017 were authorised for issue in accordance with a resolution of the directors on 14 September 2017. 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 in Nicaragua through its 100% owned subsidiary Minera San Cristobal, SA.

### Employees

Other than the Directors the group employed five people, based in Nicaragua at 30 June 2017 (2016: 2).

## OPERATING AND FINANCIAL REVIEW

### Overview

The 2017 financial year was a landmark year for Oro Verde Limited ("Oro Verde" or the "Company") since changing its focus from Chile to Nicaragua in late 2014, with the first drilling programs being performed. The drilling was undertaken on the Topacio Gold Project, located in the southeast of the country (Figure 1).

A strong technical foundation was established at Topacio in conjunction with partner Newcrest Mining Limited ("Newcrest") after signing a Farm-in Agreement in November 2015. High quality exploration activities including airborne geophysics, detailed geological vein mapping and concession-wide multi-element soil geochemistry led to numerous new targets being generated by the end of 2016. While Newcrest's focus was to explore for a new multi-million ounce gold discovery at the previously undrilled Rebeca Vein, late in the period Oro Verde returned to the historical Topacio resource area, and achieved success with numerous high grade trenches and drill intercepts.

Meanwhile, at the Company's 100% owned San Isidro Gold Project in the northwest of the country (Figure 1), a mapping and soil sampling program was undertaken to determine potential similarities in mineralisation style with the adjacent La India Gold Deposit which contains a reported resource of 2.3 million ounces of gold (refer to Condor Gold plc (UK)). A number of targets were generated for follow-up investigations.

# DIRECTOR'S REPORT



Figure 1 Location of Nicaragua – Central America

## TOPACIO

In February 2015, OroVerde signed an Option Agreement with the right to acquire 100% of the advanced Topacio Gold Project, located in southeastern Nicaragua (Figure 1), from a local Nicaraguan company. The Topacio Gold Project contains a high grade gold deposit with 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.

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

For personal use only

# DIRECTOR'S REPORT

In November 2015, the Company 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.

Newcrest's Stage 1 US\$500,000 Minimum Commitment phase of exploration at Topacio under the Agreement, was completed by 24 November 2016. Stage 1 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 was to identify highly prospective vein, alteration, geochemical, geophysical and structural targets for drill testing. The Stage 1 program included detailed geological mapping and sampling, a concession-wide multi-element soil geochemistry program and airborne geophysics - magnetics (Figure 2) and radiometrics<sup>2</sup>.

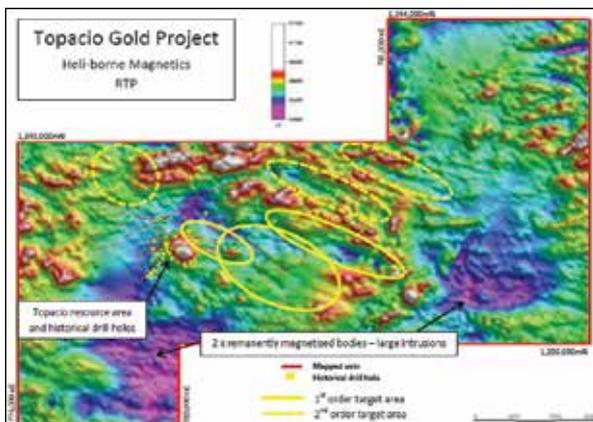


Figure 2 Topacio Magnetic data and targets

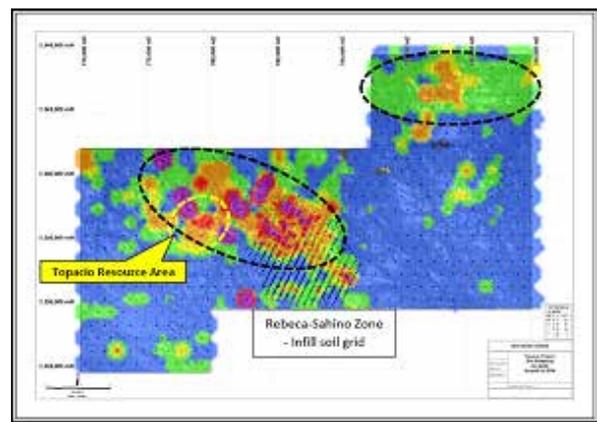


Figure 3 Topacio Soil geochemistry (Gold)

In addition to the airborne geophysical targets generated (Figure 2) the soil geochemistry identified two large anomalous gold zones. As expected, the Topacio Resource Area was anomalous in gold. However, this area was overshadowed by an anomalous gold zone that extended for at least 6 kilometres x 3 kilometres, overlapping with the Topacio Resource Area<sup>3</sup> (Figure 3).

<sup>2</sup> Refer to ASX announcement dated 5 September 2016 "Geophysics Highlights New target Zones at Topacio"

<sup>3</sup> Refer to ASX announcement dated 7 December 2016 "Drilling Rebeca Zone Planned – Gold Potential Enhanced by Infill Soil Results"

# DIRECTOR'S REPORT

## Rebeca Target

Within this gold-in-soil anomaly, Newcrest elected to drill test a small section known as the Rebeca Vein, which is located approximately 2-3 kilometres east-southeast of the Topacio resource. This vein combined numerous indicators of a possible buried low sulphidation epithermal gold deposit including mapped vein textures and silica cap, favourable structures interpreted from geophysics and anomalous geochemistry.

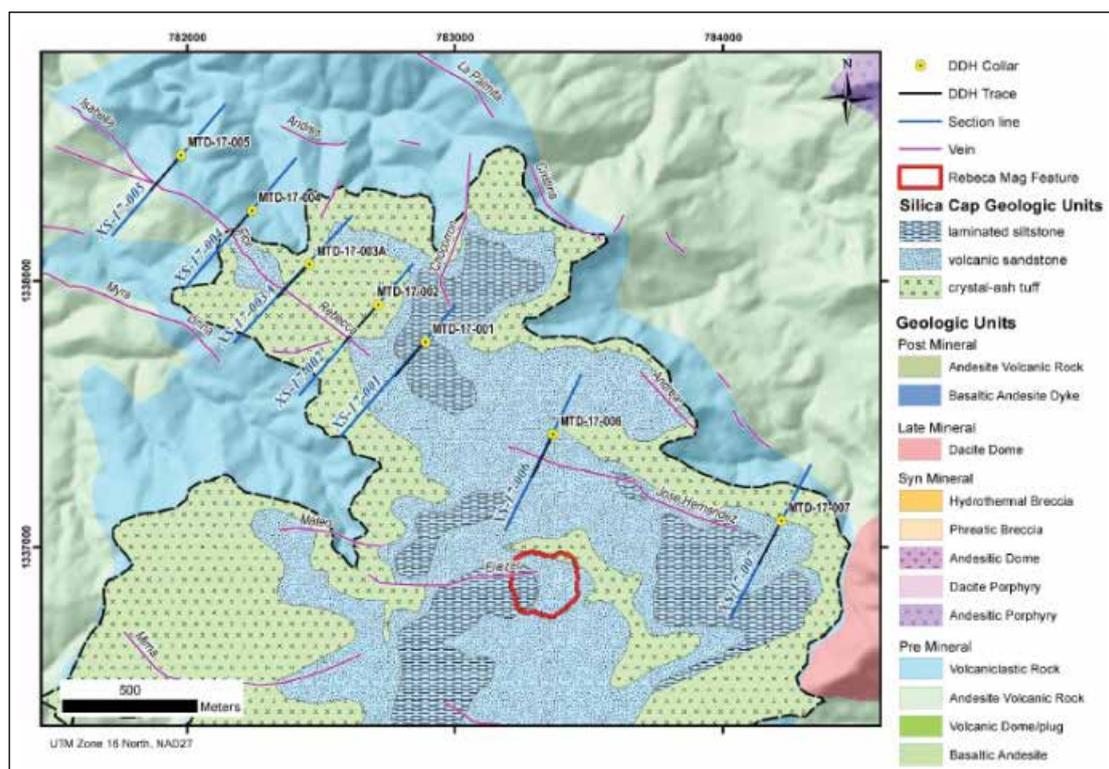


Figure 4 Topacio Project – Rebeca Vein Drill Holes

Seven drill holes selected by Newcrest, totalling 1,767.2 metres of diamond core, were completed along the 3 kilometre strike length of the previously undrilled Rebeca Vein (Figure 4)<sup>4</sup>. The Rebeca Vein was intersected in drill hole MTD-17-004. Additionally, unexpected quartz veining and quartz breccias were intersected in the upper levels of drill holes MTD-17-001, -003A and -005 indicating the presence of another, previously unknown, vein sub-parallel to the Rebeca Vein. Results up to 5.16 g/t gold (over 1.5m downhole width) were received from this drilling. Best gold assay results are shown in Table 1.

## Topacio Drilling

Following completion of the Rebeca drilling, a second phase of drilling was undertaken to explore high grade gold vein targets. The selected targets were located within 500m of the 340,000oz Topacio gold resource (Figure 5) and coincident with gold-in-soil geochemical anomalies defined during the 2016 concession-wide soil sampling program. The Phase 2 drilling program consisted of six diamond drill holes totalling 402.16 metres and was funded by Oro Verde, under agreement with Newcrest.

4 Refer to ASX announcement dated 21 June 2017 “Drilling Confirms Rebeca Epithermal System”

# DIRECTOR'S REPORT

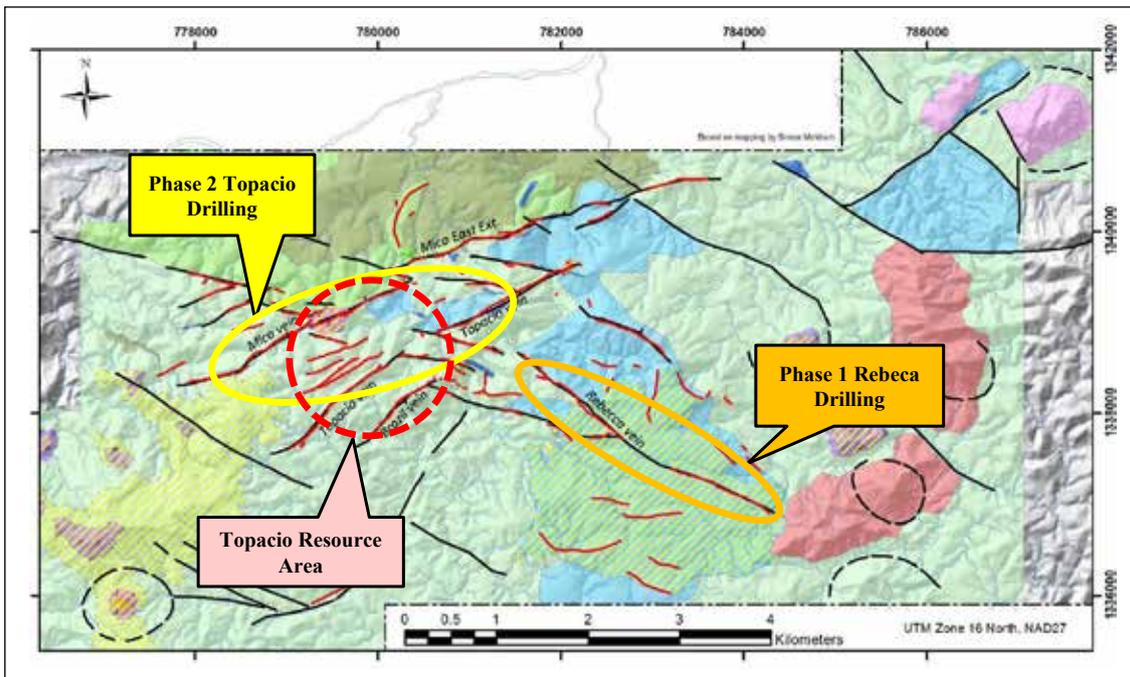


Figure 5 Topacio – Phase 2 drilling area

The Phase 2 diamond core holes tested below high grade surface gold results on four key targets – the Su Majestad Vein, Topacio (Vein) East Extension, Dispute Vein and the Mico West Vein (Figure 6). These particular areas had not previously been drilled and, as such, the holes were relatively shallow to assess the continuity of the high grade veins approximately 30-50 metres below surface. Additional surface trenches above the proposed drill hole locations were excavated and channel sampled, prior to the drilling, to confirm orientation of the steep dip of the veins and their width.

Quartz veins were intersected in all trenches excavated, which were orientated perpendicular to the strike of the veins. Some excellent gold grades were achieved from the surface trenches, as shown in Table 1. The highest grading trench interval was 1.1m at 53.1 g/t gold (Au) from the Dispute Vein.



# DIRECTOR'S REPORT

Table 1 Topacio Trenches and Drill Holes – Best results (intervals > 1.0 g/t Au)

LOCATION	TRENCH or DRILL HOLE NAME	SAMPLE TYPE	INTERVAL-LENGTH	GOLD GRADES	DOWNHOLE DEPTH
Mico West	OPMW1701	Trench	7.50 m	5.39 g/t Au	At surface
		including	2.05 m	17.06 g/t Au	At surface
	TMW1702	Trench	6.20 m	5.16 g/t Au	At surface
		including	2.70 m	10.44 g/t Au	At surface
	MTD-17-013	Drill hole	0.33 m	1.51 g/t Au	From 40.97m
	MTD-17-012	Drill hole	2.85 m	15.59 g/t Au	From 21.25m
including		1.23 m	32.30 g/t Au	From 22.87m	
Rebeca	MTD-17-004	Drill hole	1.80 m	1.05 g/t Au	From 127.7m
	MTD-17-005	Drill hole	3.40 m	3.07 g/t Au	From 5.45m
		including	1.50 m	5.16 g/t Au	From 5.45m
Dispute	RCD1701	Trench	1.10 m	53.10 g/t Au	At surface
	MTD-17-010	Drill hole	9.25 m	2.21 g/t Au	From 32.30m
		including	1.52 m	7.43 g/t Au	From 36.60m
Dos Amigos	MTD-17-011	Drill hole	1.00 m	1.87 g/t Au	From 42.50m
Su Majestad	MTD-17-008	Drill hole	3.00 m	1.84 g/t Au	From 53.15m
	TSM1701	Trench	2.75 m	1.45 g/t Au	At surface
		including	1.25 m	2.59 g/t Au	At surface
Topacio	TTS1701	Trench	12.90 m	1.11 g/t Au	At surface
		including	0.45 m	5.43 g/t Au	At surface
Topacio East	MTD-17-009	Drill hole	1.55 m	1.28 g/t Au	From 32.10m

All results previously reported to ASX on 21 June, 20 July, 1 August and 14 August 2017.

Note: Intervals are weighted averages based on 0.5 g/t Au sample cutoff and maximum 1m internal dilution.

For personal use only

# DIRECTOR'S REPORT

## SAN ISIDRO

The San Isidro Gold Project, located in northwestern Nicaragua (Figure 1), consists of a 25km<sup>2</sup> mining concession held by Minera San Cristóbal S.A. (MSC), a 100% owned 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. Condor is currently advancing its studies at La India with the intention of commencing an 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.

Due to Oro Verde's major focus on advancing the Topacio Project during the year, field activities at San Isidro were minimal. Results of a soil sampling program (Figure 7) conducted early in 2017 were reviewed and interpreted, with follow up activities to be undertaken during the September quarter of 2017.

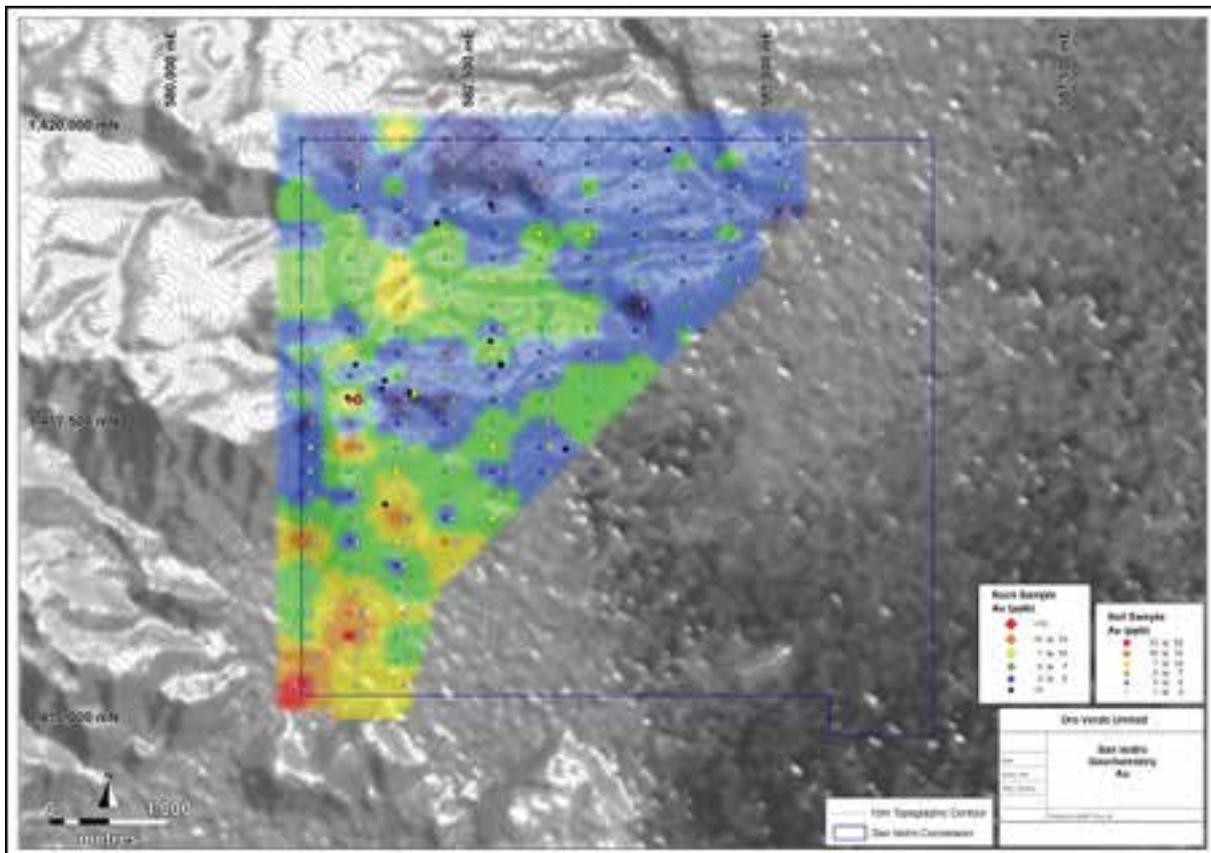


Figure 7 San Isidro Gold Project – Gold in soil geochemistry contours

## Operating Results

The group's revenue was \$181,746 and the loss was \$913,532 for the financial year. Exploration expenses (net \$148,558) and salaries, wages and consulting fees based payments (\$454,369) account for approximately 65% of this year's loss.

# DIRECTOR'S REPORT

	2017 \$	2016 \$
Operating revenue	181,746	57,390
Operating profit/(loss)	(913,532)	(1,336,546)

## Year in Review

### Review of Financial Position

During the year, the Group raised \$840,000 (before expenses) through the issue of fully paid shares at \$0.012 each. In addition, 20,500,000 options exercisable at \$0.01 each were exercised, raising a further \$205,000.

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 2017 the cash balance of the group stood at \$541,656.

### LIKELY DEVELOPMENTS

Oro Verde continues to review gold-silver-copper opportunities in search of quality projects to enhance the existing portfolio. To date, suitable transactions have not been achieved on preferred projects. 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 (2016: \$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.

For personal use only

# 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 (Non-Executive)
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.

In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board can reduce, cancel or defer performance-based remuneration and may also clawback performance-based remuneration paid in previous financial years.

#### 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.

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited) (Continued)

### *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.

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.

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited) (Continued)

### 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 (2016: nil) were issued to key management personnel, details of the options are set out elsewhere in this report. In addition 25,911,725 shares were issued (2016: 9,779,457) in lieu of cash directors' fee, details of the shares issued are set out elsewhere in this report.

### 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.

### Employment contracts

Remuneration and other terms of employment for the following KMP are formalised in service agreements, the terms of which are set out below:

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

- Term of agreement – to 1 December 2018.
- 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:

30 June 2017	Short term		Post employment	Share based payments	Total \$	Total options related \$	Total performance related
	Salaries and fees \$	Non Monetary Benefit <sup>1</sup>	Superannuation \$	Options \$			
<b>Directors</b>							
W G Martinick	93,333	2,190	6,833	-	102,356	-	-
T I Woolfe	284,750	2,190	-	-	286,940	-	-
B D Dickson	92,500	2,190	35,856	-	130,546	-	-
A P Rovira	70,000	2,190	6,550	-	78,740	-	-
B L Farrell	44,000	2,190	32,650	-	78,840	-	-
Total	584,583	10,950	81,889	-	677,422	-	-

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited) (Continued)

30 June 2016	Short term		Post employment	Share based payments	Total \$	Total options related \$	Total performance related
	Salaries and fees \$	Non Monetary Benefit <sup>1</sup>	Superannuation \$	Options \$			
<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	-	-
<b>Total</b>	<b>445,000</b>	<b>10,950</b>	<b>712</b>	<b>-</b>	<b>456,662</b>	<b>-</b>	<b>-</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 25.

During the year directors received shares to the value of \$201,000 (2016: \$70,000) in lieu of cash fees.

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

No compensation options were granted during the 2017 year (2016: nil).

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 2017 or 2016.

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 (2016: Nil).

# DIRECTOR'S REPORT

## REMUNERATION REPORT (Audited) (Continued)

### Share Holdings of Key Management Personnel

2017 Specified Directors	Balance 1 July 16	Sold	On Exercise of Options	Received in lieu of fees	Balance 30 June 17
W G Martinick	43,000,000	-	-	8,194,339	51,194,339
T I Woolfe	13,680,556	-	-	9,303,941	22,984,497
A P Rovira	23,760,000	-	-	5,967,016	29,727,016
B L Farrell	47,101,281	-	-	-	47,101,281
B D Dickson	18,598,901	7,500,000	-	2,446,429	28,545,330
<b>Total</b>	<b>146,140,738</b>	<b>7,500,000</b>	<b>-</b>	<b>25,911,725</b>	<b>179,552,463</b>

### Option Holdings of Key Management Personnel

2017	Balance at beginning of year	Granted as Remuneration	Options Exercised	Other	Options Lapsed	Balance at end of year	Vested at 30 June 2017	
	1 July 2016					30 June 2017	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	44,000,000	-	-	-	-	44,000,000	44,000,000	-
<b>Total</b>	<b>98,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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 (2016: \$4,800).

Amounts due and unpaid at 30 June 2017 to Key Management Personnel include:

- 1 Directors fees totalling \$5,100; and
- 2 Consulting fees of \$62,500 to Shordean Pty Ltd, a related party of TI Woolfe.

# DIRECTOR'S REPORT

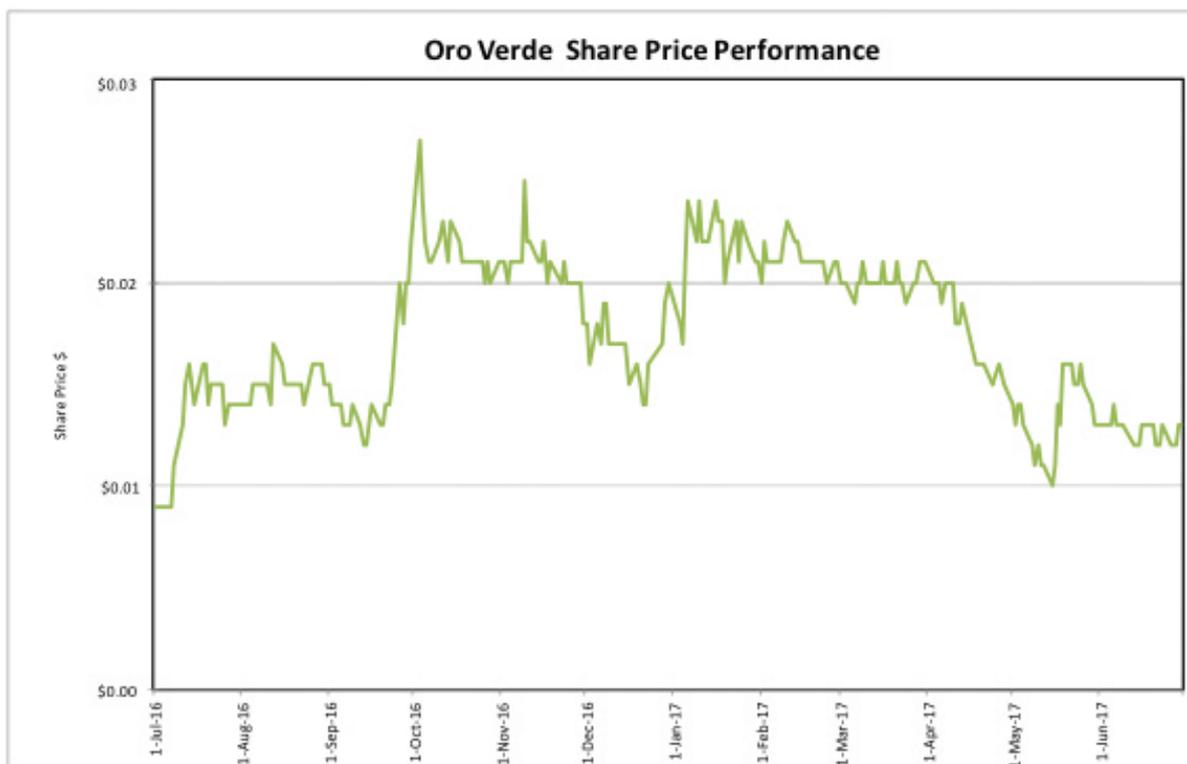
## REMUNERATION REPORT (Audited) (Continued)

### 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 2017 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.



#### 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 2017.

	2017	2016	2015	2014	2013
Basic loss per share (cents)	(0.14)	(0.26)	(0.4)	(1.4)	(5.2)

#### Voting and comments made at the company's 2016 Annual General Meeting

Oro Verde received a unanimous "yes" vote on its remuneration report for the 2016 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)

For personal use only

# 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 125,500,000 (2016: 146,000,000) share options outstanding.

	Issued	Exercised	Total number of Options
Balance at the beginning of the year			146,000,000
<i>Share option movements during the year</i>			
Exercisable at 1 cent, on or before 30 September 2017	-	(20,500,000)	(20,500,000)
Total options issued and exercised in the year to 30 June 2017	-	(20,500,000)	(20,500,000)
<b>Total number of options outstanding as at 30 June 2017 and at the date of this report</b>			<b>125,500,000</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	47,500,000
27 November 2014	30 September 2017	1.0	5,000,000
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>125,500,000</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.

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 principals relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

# DIRECTOR'S REPORT

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	
	2017 \$	2016 \$
<b>1. Audit Services</b>		
BDO Audit (WA) Pty Ltd	35,411	33,435
<b>2. Non audit Services</b>		
BDO Audit (WA) Pty Ltd – Attendance at AGM	581	-
Total remuneration for audit services	35,992	33,435

## AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, BDO Audit (WA) Pty Ltd, as presented on page 24 of this Annual Report.

## EVENTS AFTER REPORTING DATE

On 10 August 2017 Newcrest Mining Limited advised that it had withdrawn from the Joint venture Agreement and from that date the Company will be responsible for all future commitments

Since the end of the financial period the Company entered into a bridging loan facility ("Facility") with Inkjar Pty Ltd an entity associated with Dr Bradford Farrell, a director of the Company. Principal terms of the Facility are:

Amount: Up to \$500,000

Term: From 1 September to 30 November 2017. To be extended by mutual consent.

Interest: NAB Business Loan Base plus 2%, calculated daily

On 5 September 2017 the Company drew down \$100,000 of the facility and this amount remains outstanding as at the date of this report.

No 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, 15 September 2017

For personal use only

# 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 2017 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), the Corporations Regulations 2001 and other mandatory professional reporting requirements; 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 2017.

On behalf of the Board



**W G Martinick**  
**Director**  
**Perth, 15 September 2017**

# AUDITOR'S INDEPENDENT DECLARATION



Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
www.bdo.com.au

38 Station Street  
Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
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 2017, 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 blue ink, appearing to read 'Dean Just', is written over a faint, light blue grid background.

**Dean Just**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 15 September 2017

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.

For personal use only

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR YEAR ENDED 30 JUNE 2017

	Notes	Consolidated	
		2017 \$	2016 \$
<b>Continuing operations</b>			
<b>Revenue</b>			
Interest Received	3	3,635	3,844
Management fee and rental income	3	178,111	53,546
Depreciation	9	(8,410)	(3,740)
Consultants		(6,500)	(70,000)
Directors' fees (excluding executives)		(130,000)	(130,001)
Executives salaries, wages and consulting fees		(454,369)	(392,676)
Interest expenses		(3,418)	-
Exploration expenses		(1,585,971)	(748,338)
Exploration expenses reimbursed		1,437,413	463,335
Impairment of exploration & evaluation expenditure		-	(184,411)
Legal fees		(15,669)	(18,141)
Travel and accommodation		(72,678)	(92,598)
Administration expenses		(221,017)	(189,847)
Insurance		(14,589)	(14,636)
Promotion		(20,070)	(12,883)
<b>Loss from continuing operations before income tax</b>		<b>(913,532)</b>	<b>(1,336,546)</b>
Income tax credit/(expense)	5	-	-
<b>Loss for the year</b>		<b>(913,532)</b>	<b>(1,336,546)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences in translating foreign controlled entities		(68,427)	(16,335)
<b>Total other comprehensive income net of tax</b>		<b>(68,427)</b>	<b>(16,335)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(981,959)</b>	<b>(1,352,881)</b>
Total Earnings per share for loss attributable to the ordinary equity holders			
Basic loss per share (cents)	19	(0.14)	(0.26)
Diluted loss per share (cents)	19	(0.14)	(0.26)

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

For personal use only

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR YEAR ENDED 30 JUNE 2017

	Notes	Consolidated	
		2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	541,656	542,591
Receivables	6	93,929	33,200
Other	7	4,637	4,601
<b>Total current assets</b>		<b>640,222</b>	<b>580,392</b>
<b>Non-current assets</b>			
Plant and equipment	9	26,117	34,307
Exploration & evaluation expenditure	10	47,827	51,748
<b>Total non-current assets</b>		<b>73,944</b>	<b>86,055</b>
<b>Total assets</b>		<b>714,166</b>	<b>666,447</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	451,739	647,594
<b>Total current liabilities</b>		<b>451,739</b>	<b>647,594</b>
<b>Total liabilities</b>		<b>451,739</b>	<b>647,594</b>
<b>Net assets</b>		<b>262,427</b>	<b>18,853</b>
<b>EQUITY</b>			
Issued capital	14	21,487,918	20,262,385
Reserves	15	4,861,180	4,929,607
Accumulated losses		(26,086,671)	(25,173,139)
<b>Total equity</b>		<b>262,427</b>	<b>18,853</b>

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

For personal use only

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR YEAR ENDED 30 JUNE 2017

	Notes	Consolidated	
		2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(864,058)	(627,971)
Reimbursement of exploration expenditure		1,314,481	793,858
Payments for exploration expenditure		(1,585,972)	(748,338)
Other revenue		174,694	53,546
Interest received		3,635	3,844
<b>Net cash flows used in operating activities</b>	16	<u>(957,220)</u>	<u>(525,061)</u>
<b>Cash flows from investing activities</b>			
Payment for plant and equipment		(1,829)	(32,321)
Payment for project acquisition		-	(51,748)
<b>Net cash flows used in investing activities</b>		<u>(1,829)</u>	<u>(84,069)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares (net of transaction costs)		997,100	634,739
<b>Net cash flows from financing activities</b>		<u>997,100</u>	<u>634,739</u>
<b>Net increase in cash and cash equivalents</b>		38,051	25,609
Cash and cash equivalents at the beginning of the financial year		542,591	534,674
Effect of exchange rate changes on cash and cash equivalents		(38,986)	(17,692)
<b>Cash and cash equivalents at the end of the financial year</b>	16	<u>541,656</u>	<u>542,591</u>

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

For personal use only

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2017

	Ordinary shares \$	Convertible notes Reserve \$	Share option reserve \$	Foreign Currency Translation Reserve \$	Accumulated losses \$	Total \$
At 1 July 2016	20,262,385	136,403	4,810,101	(16,897)	(25,173,139)	18,853
Loss for the period	-	-	-	-	(913,532)	(913,532)
Other Comprehensive loss	-	-	-	(68,427)	-	(68,427)
Total comprehensive loss for the period	-	-	-	(68,427)	(913,532)	(981,959)
Transactions with owners in their capacity as owners						
Shares issued during the period	1,273,433	-	-	-	-	1,273,433
Transaction Costs	(47,900)	-	-	-	-	(47,900)
Share based payments	-	-	-	-	-	-
At 30 June 2017	21,487,918	136,403	4,810,101	(85,324)	(26,086,671)	262,427

	Ordinary shares \$	Convertible notes Reserve \$	Share option reserve \$	Foreign Currency Translation Reserve \$	Accumulated 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 loss	-	-	-	(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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2017

## 1. CORPORATE INFORMATION

The Consolidated Financial report of Oro Verde Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 14 September 2017. 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 2017 of \$913,532 (2016: \$1,336,546) and experienced net cash outflows from operating activities of \$957,220 (2016: \$525,061). At 30 June 2017, the Consolidated Entity had net current assets of \$188,483 (2016: net current liabilities \$67,202).

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 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 that on successful completion of fund raising activities referred to above there will be 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.

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

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 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:

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Impact	Application Date of Standard	Application Date for Group (Year ended)
AASB 9	Financial Instruments	Changes to classification and measurement requirements of financial instruments and hedge accounting	While the group has yet to undertake a detailed assessment of the changes, no significant impact is anticipated.	1 Jan 18	30 Jun 19
AASB 15	Revenue from contracts with customers	New standard for the recognition of revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer	Management is currently assessing the impact of the new rules. At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next 12 months.	1 Jan 18	30 Jun 19

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2017

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Impact	Application Date of Standard	Application Date for Group (Year ended)
AASB 16	Leases	<p>AASB 16 eliminates the operating and finance lease classifications for leases currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117.</p> <p>An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.</p>	<p>To the extent that the entity, as lessee, has operating leases outstanding at the date of initial application, 1 January 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and the lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability.</p> <p>However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight line expense incurred under AASB 117 Leases.</p> <p>This trend will reverse in the later years. The Group will make a more detailed assessment of the impact over the next 12 months.</p>		

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### c) **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.

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.

### (d) **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 25 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.

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

**(e) Interests in joint ventures**

The Groups share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated income statement and statement of financial position.

**(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.

*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.

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### (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:

- 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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

- 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.

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### (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.

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.

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

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').

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').

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

**(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) Comparative figures**

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

**(y) 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.

*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.

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### (z) 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".

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### *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.

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.	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: <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:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or 3) or vice versa; or
- (ii) 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 2017

## 3. REVENUE

	2017 \$	2016 \$
<b>The Group derives the following types of income</b>		
Interest received	3,635	3,844
Management fee and rental income	178,111	53,546

## 4. EXPENSES AND LOSSES

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

Depreciation on equipment	8,410	3,740
Salaries & wages expenses	454,369	392,676
Operating lease rentals	47,203	42,781
Directors' benefit expense (excluding executive directors)	130,000	130,001
Exploration expenses	1,585,971	748,338
Exploration expenditure reimbursed	(1,437,413)	(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	-	-

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 loss before income tax	(913,532)	(1,336,546)
At the Group's statutory income tax rate	(274,060)	(400,964)
Less: Share options expenses during the year	-	-
Exploration expenditure	44,567	100,924
Other expenditure not allowable for income tax purposes	14,369	27,779
	(215,124)	(272,261)
Current year tax losses not brought to account	215,124	272,261
Income tax (benefit)/expense reported in the consolidated income statement	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
<b>Deferred Income Tax</b>		
Deferred income tax at 30 June relates to the following:		
<i>Deferred tax liabilities</i>		
Prepayments	(1,391)	(1,380)
Total deferred tax liabilities	(1,391)	(1,380)
<i>Deferred tax assets</i>		
Accrued expenses	4,500	4,500
Capital raising costs	12,270	36,750
Tax assets/losses recognised /(not brought to account)	(15,379)	(39,870)
Total deferred tax assets	1,391	1,380
Net deferred tax liabilities/(asset)	-	-

Other than to offset deferred tax liabilities the Group has not recognised tax losses arising in Australia of \$10,873,899 (2016: \$10,019,119) 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, 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.

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 6. RECEIVABLES (Current)

	2017 \$	2016 \$
Trade receivables (a)	93,929	33,200

- (a) These amounts generally arise from activities outside the usual operating activities. Interest is not usually charged and collateral is not obtained. For the Group the receivable principally arises from consumption taxes paid to third party suppliers for which a refund from tax authorities is expected.

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 2017 Consolidated	93,929	93,929	-	-	-	-	-
30 June 2016 Consolidated	33,200	33,200	-	-	-	-	-

\* 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 23.

- (c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 23.

### 7. OTHER (Current)

	2017 \$	2016 \$
Prepayments – Insurance	4,637	4,601

### 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2017

## 8. OPERATING SEGMENT (continued)

2017	Australia \$	Nicaragua \$	Total \$
Revenues	3,635	178,111	181,746
Loss	(840,686)	(72,846)	(913,532)
Non-current assets	-	73,944	73,944
Total assets	319,248	394,918	714,166
Total liabilities	(124,297)	(327,442)	(451,739)

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

## 9. PLANT AND EQUIPMENT

	Motor Vehicles	Office equipment and fittings \$	Total \$
<b>Year ended 30 June 2017</b>			
At 1 July 2016, net of accumulated depreciation and impairment	26,726	7,581	34,307
Additions	-	1,829	1,829
Depreciation expense for the year	(5,593)	(2,817)	(8,410)
Exchange differences	(1,821)	212	(1,609)
At 30 June 2017, net of accumulated depreciation and impairment	19,312	6,805	26,117
<b>At 30 June 2017</b>			
Cost	26,947	14,789	41,736
Accumulated depreciation and impairment	(7,635)	(7,984)	(15,619)
Net carrying amount	19,312	6,805	26,117

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 9. PLANT AND EQUIPMENT (continued)

	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

### 10. EXPLORATION AND EVALUATION EXPENDITURE

	2017 \$	2016 \$
At Cost	47,827	51,748
Fair value on acquisition of subsidiary	-	133,001
Impairment of exploration & evaluation expenditure	-	(133,001)
Carrying amount at the end of the financial year	47,827	51,748
Carrying amount at the beginning of the financial year	51,748	183,241
Additions	-	51,748
Exploration written off on San Isidro concession which is to be relinquished	(3,921)	(184,411)
Exchange differences	-	1,170
Carrying amount at the end of the financial year	47,827	51,748

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 2017

### 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	
		2017	2016
Goldcap Resources Pty Limited And its subsidiary	Australia	100	100
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)

	2017 \$	2016 \$
Trade creditors and accruals	220,238	317,072
Joint venture contribution received in advance	231,501	330,522
	<u>451,739</u>	<u>647,594</u>

### 13. PROVISIONS (Current)

Employee benefits	-	-
Opening balance at 1 July	-	-
Additional provision	-	-
Amount used	-	-
Balance at 30 June	<u>-</u>	<u>-</u>

Other than directors as at 30 June 2017 the Group has four employees (2016: two)

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

### 14. CONTRIBUTED EQUITY

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

Fully paid ordinary shares	23,277,164	22,003,731
Less: capital raising costs	(1,789,246)	(1,741,346)
	<u>21,487,918</u>	<u>20,262,385</u>

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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 14. CONTRIBUTED EQUITY (continued)

#### (b) Movements in ordinary share capital

	2017		2016	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	578,784,865	20,262,385	448,948,408	19,487,646
<i>Issued during the year</i>				
Issue at \$0.012 (i)	70,000,000	840,000	-	-
Issue at \$0.076 (ii)	22,849,477	173,333	-	-
Issue at \$0.0162 (ii)	2,006,173	32,500	-	-
Issue at \$0.0214 (ii)	1,056,075	22,600	-	-
Issue at \$0.01 (iii)	20,500,000	205,000	-	-
Issue at \$0.007 (iv)	-	-	10,000,000	70,000
Issue at \$0.006 (i)	-	-	110,057,000	660,342
Issue at \$0.072 (ii)	-	-	8,680,556	62,500
Issue at \$0.064 (ii)	-	-	1,098,901	7,500
Cost of share issues	-	(47,900)	-	(25,603)
End of the financial year	<u>695,196,590</u>	<u>21,487,918</u>	<u>578,784,865</u>	<u>20,262,385</u>

- (i) Funds raised from the share placements during the 2017 and 2016 year were used to progress the Group's exploration activities and for general working capital.
- (ii) Issued in lieu of directors' fees and executive service fees – shares issued based on volume average weighted price for the relevant quarter.
- (iii) Issued on the exercise of options.
- (iv) Issued for consulting services (refer to note 25(a)).

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

At the date of this report, there were 125,500,000 (2016: 146,000,000) share options outstanding.

	Issued	Exercised	Total number of Options
Balance at the beginning of the year			146,000,000
<i>Share option movements during the year</i>			
Exercisable at 1 cent, on or before 30 September 2017	-	(20,500,000)	(20,500,000)
Total options issued and lapsed in the year to 30 June 2017	-	(20,500,000)	(20,500,000)
<b>Total number of options outstanding as at 30 June 2017 and at the date of this report</b>			<u>125,500,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 14. CONTRIBUTED EQUITY (continued)

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	47,500,000
27 November 2014	30 September 2017	1.0	5,000,000
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>125,500,000</b>

#### (d) Director and staff shares issued

During the year the following shares were issued in lieu of fees.

Specified Directors	Number of Shares	
	2017 \$	2016 \$
W G Martinick	8,194,339	-
T I Woolfe	9,303,941	8,680,556
A P Rovira	5,967,016	-
B L Farrell	-	-
B D Dickson	2,446,429	1,098,091
<b>Total</b>	<b>25,911,725</b>	<b>9,778,647</b>

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2017

## 15. RESERVES

	2017 \$	2016 \$
<b>Share Option Reserve</b>		
Balance at beginning of year	4,810,101	4,810,101
Movement during the year	-	-
Balance at the end of year	4,810,101	4,810,101
<b>Convertible Note Equity Reserve</b>		
Balance at beginning of year	136,403	136,403
Movement during the year	-	-
Balance at the end of year	136,403	136,403
<b>Foreign Currency Translation Reserve</b>		
Balance at beginning of year	(16,897)	(562)
Movement during the year	(68,427)	(16,335)
Balance at the end of year	(85,324)	(16,897)

### 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.

## 16. STATEMENT OF CASH FLOWS

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

<b>Net loss</b>	(913,532)	(1,336,546)
Depreciation of plant and equipment	8,410	3,740
Impairment of exploration & evaluation expenditure	-	133,001
Fees paid through share issue	228,433	140,000
Capitalised exploration written off	-	51,410
<i>Changes in assets and liabilities</i>		
Trade receivables	(60,729)	(15,359)
Prepayments	(36)	51
Trade and other creditors	(219,766)	498,642

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 16. STATEMENT OF CASH FLOWS (continued)

		2017 \$	2016 \$
<b>Net cash flows used in operating activities</b>		<u>(957,220)</u>	<u>(525,061)</u>
<b>(a) Reconciliation of cash</b>			
Cash balance comprises:			
Cash at bank		359,650	178,568
Joint venture contributions received in advance	note 12	148,505	330,522
Short term deposit		33,501	33,501
Closing cash balance		<u>541,656</u>	<u>542,591</u>

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 2017, the Group had borrowing facilities of \$30,000 (2016: \$530,000). The short term deposit is provided as security for \$30,000 of the facilities. This facility is unutilised at 30 June 2017.

The fair value of cash and cash equivalents is \$541,656 (2016: \$542,591).

The effective interest rate on cash at bank was 1.0% (2016: 1.25%).

Refer to Note 23 for risk exposure.

### 17. EXPENDITURE COMMITMENTS

#### (a) Remuneration Commitments

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	250,000	125,000
Later than one year and not later than five years	125,000	-
	<u>375,000</u>	<u>125,000</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);

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 17. EXPENDITURE COMMITMENTS (continued)

- iv. 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;
- v. Oro Verde may withdraw from the Agreement at any time; and
- vi. At 30 June 2017 Newcrest Mining Limited is meeting these commitments pursuant to Earn-in and Joint Venture agreement (Refer Note 26).

On 10 August 2017 Newcrest Mining Limited advised that it had withdrawn from the Joint venture Agreement and from that date the Company will be responsible for all future commitments.

### 18. SUBSEQUENT EVENTS

On 10 August 2017 Newcrest Mining Limited advised that it had withdrawn from the Joint venture Agreement and from that date the Company will be responsible for all future commitments.

Since the end of the financial period the Company entered into a bridging loan facility ("Facility") with Inkjar Pty Ltd an entity associated with Dr Bradford Farrell, a director of the Company. Principal terms of the Facility are:

Amount: Up to \$500,000

Term: From 1 September to 30 November 2017. To be extended by mutual consent.

Interest: NAB Business Loan Base plus 2%, calculated daily

On 5 September 2017 the Company drew down \$100,000 of the facility and this amount remains outstanding as at the date of this report.

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.

### 19. EARNINGS PER SHARE

	2017 Cents	2016 Cents
<b>(a) Basic and diluted earnings per share</b>		
From continuing operations attributable to the ordinary Owners of the company	(0.14)	(0.26)
From discontinued operations attributable to the ordinary Owners of the company	-	-
	\$	\$
<b>(b) Reconciliations of earnings used in calculating earnings per share</b>		
Loss attributable to the ordinary Owners of the company used in calculating basic and diluted earnings per share		
From continuing operations	(913,532)	(1,336,546)
From discontinued operations	-	-

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 19. EARNINGS PER SHARE (continued)

	Number	Number
Weighted average number of ordinary shares on issue used in the calculation of continuing and discontinued basic and diluted earnings per share	669,878,484	519,948,565

#### (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.

### 20. AUDITORS' REMUNERATION

	2017 \$	2016 \$
Amounts received or due for an audit or review of financial statements:		
BDO Audit (WA) Pty Ltd	35,411	33,435
	<hr/> 35,411	<hr/> 33,435
<i>Remuneration of other auditors of subsidiaries:</i>		
- an audit or review of financial report of subsidiaries	11,710	16,403
	<hr/> 11,710	<hr/> 16,403

### 21. KEY MANAGEMENT PERSONNEL

#### Compensation of key management personnel by compensation

Short-term	595,533	455,950
Post employment	81,889	712
Share-based payment	-	-
	<hr/> 677,422	<hr/> 456,662

### 22. 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	
		2017 %	2016 %	2017 %	2016 %
Goldcap Resources and its 100% owned subsidiary	Australia	100	100	120,000	120,000
Minera San Cristobal, S.A.	Nicaragua	100	100	-	-
				<hr/> 120,000	<hr/> 120,001

#### (b) Ultimate parent

Oro Verde Limited is the ultimate parent entity.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 22. RELATED PARTY DISCLOSURE (continued)

#### (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 (2016: \$4,800).

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

There were no loans outstanding to or from key management personnel as at 30 June 2017 (2016: Nil).

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

Amounts due and unpaid at 30 June 2017 to Key Management Personnel include:

- 1 Directors fees totalling \$5,100; and
- 2 Consulting fees to Shordean Pty Ltd, a related party of Mr Woolfe.

During the period the Company entered into a bridging loan facility ("Facility") with Inkjar Pty Ltd an entity associated with Dr Bradford Farrell, a director of the Company. Principal terms of the Facility were:

Amount: Up to \$500,000

Term: To 30 September 2016 or 3 business days after clearance of funds raised by the issue of securities and listing of those securities on ASX, whichever is the earlier.

Interest: 10.87% pa calculated daily

Facility Fee: 1.45% pa of any undrawn amount

On 13 July the Company drew down \$100,000 of the facility and subsequently repaid it in full on 7 September 2016, including accumulated interest of \$3,417.50.

### 23. 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 23. FINANCIAL INSTRUMENTS (continued)

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

	2017 \$	2016 \$
Australia		
<b>Financial assets</b>		
Cash at bank	313,711	147,841
Nicaragua		
<b>Financial assets</b>		
Cash at bank	227,945	394,750

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)	
	2017 \$	2016 \$	2017 \$	2016 \$
<b>CONSOLIDATED</b>				
+1% (100 basis points)	5,417	5,426	5,417	5,426
-1% (100 basis points)	(5,417)	(5,426)	(5,417)	(5,426)

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.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Undiscounted cash flows of financial liabilities are presented.

The Group has no derivative financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2017

### 23. FINANCIAL INSTRUMENTS (continued)

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

	2017 \$	2016 \$
6 months or less	451,739	647,594
6 – 12 months	-	-
1 – 5 years	-	-
	<u>451,739</u>	<u>647,594</u>

*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
	\$	\$	\$	\$	\$
<b>CONSOLIDATED</b>					
<i>Year ended 30 June 2017</i>					
<b>Financial assets</b>					
Cash & cash equivalents	541,656	-	-	-	541,656
Trade & other receivables	93,929	-	-	-	93,929
	<u>635,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>635,585</u>
<b>Financial liabilities</b>					
Trade & other payables	451,739	-	-	-	451,739
	<u>183,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,846</u>
<i>Year ended 30 June 2016</i>					
<b>Financial assets</b>					
Cash & cash equivalents	542,591	-	-	-	542,591
Trade & other receivables	33,200	-	-	-	33,200
	<u>575,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,791</u>
<b>Financial liabilities</b>					
Trade & other payables	647,594	-	-	-	647,594
	<u>(71,803)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,803)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2017

## 23. FINANCIAL INSTRUMENTS (continued)

### (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	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>FINANCIAL ASSET</b>				
Cash	541,656	542,591	541,656	542,591
Receivables	93,929	33,200	93,929	33,200
Total financial assets	635,585	575,791	635,585	575,791
<b>FINANCIAL LIABILITIES</b>				
Trade creditors and accruals and other creditors	451,739	647,594	451,739	647,594
Total financial liabilities	451,739	647,594	451,739	647,594

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2017

## 23. FINANCIAL INSTRUMENTS (continued)

### (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.

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.

Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

### Exposure to currency risk

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

	2017 (AUD) NiC	2016 (AUD) NiC
Cash	227,945	394,750
Trade Receivables	93,029	26,480
Trade Payables	(327,442)	(387,879)
Gross Statement of Financial Position Exposure	(6,468)	33,351
Forward exchange contracts	-	-
Net Exposure	(6,468)	33,351

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
AUD/NiC	22.1	20.2	22.9	21.2

### 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 2016.

	Equity \$	Profit or loss \$
<b>30 June 2017</b>		
Nicaragua Cordoba	+/- 647	-
<b>30 June 2016</b>		
Nicaragua Cordoba	+/- 3,335	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2017

## 24. 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:

	2017 \$	2016 \$
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	319,248	159,163
Non-Current assets	-	120,000
Total assets	319,248	279,163
<b>LIABILITIES</b>		
Current liabilities	124,298	259,714
Total liabilities	124,298	259,714
<b>EQUITY</b>		
Issued capital	21,487,918	20,262,385
Reserves		
Share-option	4,810,101	4,810,101
Convertible note equity	136,403	136,403
Accumulated losses	(26,239,472)	(25,189,440)
Total Equity	194,950	19,449
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
Total loss	(840,686)	(856,926)
Total comprehensive loss	(840,686)	(856,926)

### (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 2017 or 30 June 2016.

### (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 2017

### 25. 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 2017 (2016: Nil) and no options are on issue.

#### (b) Directors and executive options

No options were issued to senior executives during 2017 (2016: nil). 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	-	-	-
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>-</b>	<b>2,000,000</b>	<b>-</b>	<b>12,000,000</b>	<b>12,000,000</b>
Weighted average exercise price				\$0.03		\$0.01		\$0.03	\$0.03

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.4 years (2016: 2.2).

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

No options were granted during the 2017 financial year (2016: nil).

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 2017

### 25. SHARE BASED PAYMENTS (continued)

	Consolidated	
	2017 \$	2016 \$
Options issued to executives	-	-

#### (c) Contractor and other options

No options were issued during the 2017 financial year (2016: nil).

Set out below are summaries of options issued to contractors, unrelated third parties and key management personnel for the acquisition of Goldcap Resources Limited in 2015.

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	-	18,500,000	-	47,500,000	47,500,000
7 Oct '14	30 Sep '19	5.0	0.44	66,000,000	-	-	-	66,000,000	66,000,000
<b>TOTAL</b>				<b>132,000,000</b>	<b>-</b>	<b>18,500,000</b>	<b>-</b>	<b>113,500,000</b>	<b>113,500,000</b>
Weighted average exercise price				\$0.03	-	\$0.01	-	\$0.03	-

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.4 years (2016: 2.2 years).

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

	Consolidated	
	2017 \$	2016 \$
Options issued to contractors and others	-	-

## 26. FARMIN AGREEMENT

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

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.

Oro Verde accounts for all exploration expenditure incurred and is reimbursed by Newcrest.

At 30 June 2017 Newcrest expenditure is approximately US\$1,307,000.

On 10 August 2017 Newcrest Mining Limited advised that it had withdrawn from the Joint venture Agreement and from that date the Company will be responsible for all future commitments (Note 19).

## INDEPENDENT AUDITOR'S REPORT

To the members of Oro Verde Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Oro Verde Limited and its subsidiaries, which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For personal use only

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Recoverability of Capitalised Exploration Expenditure

Key audit matter	How the matter was addressed in our audit
<p>At 30 June 2017, the carrying value of capitalised exploration and evaluation expenditure was \$47,827 (30 June 2016: \$51,748), as disclosed in Note 10.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), the recoverability of exploration and evaluation expenditure requires significant judgment by management in determining whether there are any facts or circumstances that exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date;</li> <li>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes;</li> <li>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Considering whether any facts or circumstances existed to suggest impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 4 and Note 10 to the financial report.</li> </ul>

#### Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual financial report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

#### **Report on the Remuneration Report**

##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Oro Verde Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

##### **Responsibilities**

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.

**BDO Audit (WA) Pty Ltd**

**Dean Just**

**Director**

Perth, 15 September 2017

For personal use only

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2017

## Approach to Corporate Governance

OroVerde 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 3rd edition. 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/index.php/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 Company reviewed its governance-related documentation during the 2016/2017 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, 14 September 2017.

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2017

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

### Recommendation 1.1

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

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. The checks which are undertaken, and the information provided to shareholders are set out in the Company's Policy and Procedure for the Selection and (Re)Appointment of Directors, which is disclosed on the Company's website.

No Directors were appointed to the Board during the Reporting Period. The Company provided shareholders with all material information in relation to the re-election of Dr Bradford Farrell and Mr Brett Dickson as directors at its 2016 Annual General Meeting.

### Recommendation 1.3

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

### Recommendation 1.5

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

The Company has a Diversity Policy, a summary of which is disclosed on the Company's website. 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.

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. During the Reporting Period, this included the Managing Director and the Finance Director & Company Secretary:

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

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2017

## Recommendation 1.6

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors in accordance with the process disclosed in the Company's Process for Performance Evaluations.

During the Reporting Period, an evaluation of the Board, its committees and individual directors took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

The Chairperson's performance is evaluated by the other members of the Board in accordance with the process disclosed in the Company's Process for Performance Evaluations.

During the Reporting Period, an evaluation of the Chairperson took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

## Recommendation 1.7

The Managing Director is responsible for evaluating the performance of senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations.

The Chairman is responsible for evaluating the Managing Director in accordance with the process disclosed in the Company's Process for Performance Evaluations.

During the Reporting Period, an evaluation of the Company's sole senior executive (the Finance Director & Company Secretary) took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

During the Reporting Period, an evaluation of the Managing Director took place in accordance with the process disclosed in the Company's Process for Performance Evaluations.

## Principle 2 – Structure the board to add value

### Recommendation 2.1

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. Although the Board has not established a separate Nomination Committee, it 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.

The Board carries out those functions which are delegated to it in the Company's Nomination Committee Charter. When matters that are within the responsibility of the full Board in its capacity as the Nomination Committee are considered, they are marked as separate agenda items at Board meetings. 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.

### Recommendation 2.2

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.

For personal use only

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2017

## Recommendation 2.3

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 date, length of service and independence status is as follows:

Director's name	Appointment date	Length of service at 30/06/2017	Independence status
W G Martinick Non-executive Chairman	13 January 2003	14 years 5 months	Not independent due to previously held position as Managing Director
B L Farrell Non-executive Director	8 August 2011	5 years 10 months	Not independent due to previously held executive position as Technical Director during the period 2011 to 2014
T I Woolfe Managing Director	25 February 2015	2 years 4 months	Not independent
B D Dickson Finance Director	21 November 2014	2 years 7 months	Not independent
A P Rovira Non-executive director	21 November 2014	2 years 7 months	Independent

## Recommendation 2.4

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 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.

The Board has 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).

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2017

## **Recommendation 2.6**

The Company has an induction program that it uses to when new directors join the Board and when new senior executives are appointed. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity.

The full Board in its capacity as the Nomination Committee regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the full Board in its capacity as the Nomination Committee considers what training or development should be undertaken to fill those gaps. In particular, the full Board in its capacity as the Nomination Committee ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements.

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

### **Recommendation 3.1**

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.

The Company has also adopted a Whistleblower Policy to encourage the raising of any concerns or reporting of instances of any violations (or suspected violations) of the Code of Conduct (or any potential breach of law or any other legal or ethical concern) without the fear of intimidation or reprisal.

## **Principle 4 – Safeguard integrity in corporate reporting**

### **Recommendation 4.1**

The Board has not established a separate Audit and Risk Committee. The Board believes that there would be no efficiencies or other benefits gained by establishing a separate Audit and Risk Committee. Accordingly, the Board performs the role of the Audit and Risk Committee. Although the Board has not established a separate Audit and Risk Committee, it has adopted an Audit and Risk Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Audit and Risk Committee. The Company's Audit and Risk Committee Charter is disclosed on the Company's website.

The Board carries out those functions which are delegated to it in the Company's Audit and Risk Committee Charter. When matters that are within the responsibility of the full Board in its capacity as the Audit and Risk Committee are considered, they are marked as separate agenda items at Board meetings. The Board deals with any conflicts of interest that may occur when audit or risk related matters are considered by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Company has also established a Procedure for the Selection, Appointment and Rotation of its External Auditor, which is an appendix to its Audit and Risk Committee Charter disclosed on the Company's website. 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 and Risk 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 and Risk Committee (or its equivalent) and any recommendations are made to the Board.

For personal use only

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2017

## Recommendation 4.2

Before the Board approved the Company financial statements for the half year ended 31 December 2016 and the full-year ended 30 June 2017, 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**).

The Board did not receive a Declaration for each of the quarters ending 30 September 2016, 31 December 2016, 31 March 2017 and 30 June 2017 because in the Board's view its quarterly reports are not financial statements to which the Declaration can be appropriately given.

## Recommendation 4.3

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, and the auditor 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, BDO Audit (WA) Pty Ltd attended the Company's annual general meeting held on 23 November 2016.

## Principle 5 – Make timely and balanced disclosure

### Recommendation 5.1

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

## Principle 6 – Respect the rights of security holders

### Recommendation 6.1

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

### Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's Shareholder Communication and Investor Relations Policy, which is disclosed on the Company's website.

### Recommendation 6.3

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

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2017

## Recommendation 6.4

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 – Respect the rights of security holders

### Recommendation 7.1

The Board has not established a separate Audit and Risk Committee. The Board performs the role of the Audit and Risk Committee. Please refer to the disclosure above in relation to Recommendation 4.1.

### Recommendation 7.2

The full Board in its capacity as the Audit and Risk Committee 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

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

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.

## Principle 8 – Remunerate fairly and responsibly

### Recommendation 8.1

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

The Board carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. When matters that are within the responsibility of the full Board in its capacity as the Remuneration Committee are considered, they are marked as separate agenda items at Board meetings. The Board deals with any conflicts of interest that may occur when remuneration related matters are considered by ensuring that the director with conflicting interests is not party to the relevant discussions.

# CORPORATE GOVERNANCE STATEMENT

30 JUNE 2017

## **Recommendation 8.2**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences at page 15. 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**

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.

For personal use only

# 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 12 September 2017.

## (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		43,801,282	6.30
	Martinick Inv PL		41,212,761	5.93
	Berenes Nominess		28,467,016	4.09
	Rovira Anthony Paul		22,000,000	3.16
	Merrill Lynch (Australia) Nominees		20,941,250	3.01
	Shordean Pty Ltd		17,984,497	2.59
	Dickson BD & GF		12,500,000	1.80
	Compusure Superannuation		11,000,000	1.58
	Dr Wolf Gerhard Martinick		8,543,654	1.23
	Mr Garry Temple		8,010,000	1.15
	BNP Paribas Nominees Pty Ltd		7,136,622	1.03
	A Di Bella Pty Ltd		6,212,222	0.89
	Ms Ria Rovira		5,625,000	0.81
	Mr Mark Andrew Tkocz		5,180,117	0.74
	Pedroso Resources Pty Ltd		5,000,000	0.72
	Bond Street Custodians Pty Ltd		4,319,921	0.62
	Challenge Resources Pty Ltd		4,157,916	0.60
	Mrs Liliana Teofilova		4,027,000	0.58
	Gary Temple Pty Ltd		4,000,000	0.58
	Capricorn Mining Pty Ltd		4,000,000	0.58
		20	264,119,258	37.99
Various		743	374,098,770	53.77
	Sub-total	763	638,218,028	91.76
10,001 - 100,000	Various	976	55,934,118	8.04
5,001 - 10,000	Various	94	727,678	0.10
1,001 - 5000	Various	221	557,079	0.08
1 - 1,000	Various	249	109,002	0.02
<b>Total</b>		<b>2,303</b>	<b>695,545,905</b>	<b>100.00</b>
	Holding an unmarketable parcel	956	13,390,837	1.89

The Company has the following unquoted options on issue.

	No of holders	Number of options
30 September 2017, 1 cent options	5	52,500,000
30 September 2019, 5 cent options	8	73,000,000

# ASX ADDITIONAL INFORMATION

## 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 a 12 September 2017, 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 Name	Type of Concession	Concession No.	Percentage Held
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.

## TABLE OF MINERAL RESOURCES

The Topacio Gold Project contains a high grade gold deposit with 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>51</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.

To date no progress has been made in evaluating this historical foreign resource estimate as exploration activities have concentrated on other areas of the Topacio mineral concession.

Subject to raising the required working capital, the Company will undertake exploration drilling at Topacio with the aim of re-evaluating the existing historical resource, increasing the size of the resource and delivering a maiden JORC resource. The latest high grade drilling results, announced to ASX on 11 September 2017, provide an excellent platform from which to launch this program.

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

For personal use only



Level 1  
34 Colin Street  
West Perth WA 6005  
Australia

Telephone: +61 (0) 8 9481 2555  
Facsimile: +61 (0) 8 9485 1290

Email: [info@oroverde.com.au](mailto:info@oroverde.com.au)