

**A-CAP RESOURCES LIMITED
AND ITS CONTROLLED ENTITIES**

ACN 104 028 542

**ANNUAL FINANCIAL REPORT
30 JUNE 2016**

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The Directors present their report on the Consolidated Group consisting of A-Cap Resources Limited ("A-Cap") and the entities it controlled ("the Consolidated Group") at the end of, or during the financial year ended 30 June 2016.

DIRECTORS

Directors of A-Cap Resources Limited during and since the end of the financial year are listed below. Directors were in office for the entire period unless otherwise stated.

Angang Shen	Henry James Stacpoole (resigned 19 September 2016)
Paul Anthony Ingram	Paul Woolrich (resigned 19 September 2016)
Paul Thomson	Jijing Niu (appointed 19 September 2016)
John Fisher-Stamp	Chenghu Zhu (appointed 19 September 2016)
Michael Muhan Liu (appointed 3 July 2015)	

DIRECTORS INFORMATION

Angang Shen Chairman

Mr Angang Shen joined the Board of A-Cap in November 2013, bringing with him years of expertise and success in the areas of finance, investment, real estate and mining resources. Mr Shen is the Chairman of China Growth Minerals Ltd and Ansheng Investment Co, Ltd.

Mr Shen has not served as a director of any other ASX listed companies over the past three years.

Paul A. Ingram Deputy Chairman, Member of Audit Committee *B. Applied Sc. (Geology), MAusIMM*

Mr Ingram is a geologist with extensive experience in corporate and technical management of exploration and mining companies for over 30 years. He has held senior management positions in a number of successful resource companies in the precious metals sector and energy sector, and has managed projects in countries throughout East Asia and in Australia.

During the past 3 years, Mr Ingram has also served as Director of the following ASX listed companies:

- Impact Minerals Limited (since July 2009)
- Australian Pacific Coal Limited (since March 2011)
- Consolidated Global Investments Limited (since September 2006)

Paul Thomson Managing Director, Chief Executive Officer *HND (Electrical Engineering)*

Mr Thomson is an engineer with over 35 years of experience in mining and project development in Africa. Mr Thomson joined A-Cap in 2009 as Project Manager for the Letlhakane Uranium Project and was appointed CEO in February 2012. Prior to joining A-Cap, Mr Thomson held senior management positions within the mining industry including Managing Director of African Copper Mining and Exploration Botswana, Director and Country Manager of Corridor Sands in Mozambique and Construction Manager of the Golden Pride Gold Project in Tanzania. He held various engineering and operational positions with JCI in South Africa.

DIRECTORS INFORMATION (CONTINUED)

He has been responsible for many projects, both surface and underground and has led greenfield exploration teams through subsequent progression to building and operational stages of successful mines. Mr Thomson has extensive project development experience and depth of knowledge of the African operating environment. He holds a South African Government Certificate of Competency Mines and Works (Electrical).

During the past three years Mr Thomson has not served as Director for any other ASX listed companies.

John Fisher-Stamp**Non-Executive Director, Chairman of the Audit Committee**

FCA, FTIA, GAICD, MIMC

Mr Fisher-Stamp is a Chartered Accountant and has worked in the resources sector for the past 10 years. John has held executive and consulting positions in corporate finance and as CFO. These roles covered compliance with corporate regulations and reporting in Australia, USA, UK and Asia. Mr Fisher-Stamp is a director of USA based mining developer Ouro Mining, Inc and is Deputy Chair of QT Mutual Bank Limited, an Australian APRA regulated ADI. John currently serves with QT Mutual Bank Limited as a member of the Risk and Remuneration Committees and is Chair of the bank's Audit Committee. Mr Fisher-Stamp's experience extends to Public Practice as a Chartered Accountant and Principal with DKM Group, Brisbane for 8 years and a Partner with Deloitte, Brisbane, Australia for 10 years providing business advisory, corporate taxation and support services.

During the past three years Mr Fisher-Stamp has not served as Director for any other ASX listed companies.

Michael Liu**Non-Executive Director**

MA, MBA

Mr Liu is the current Chairman of East China Capital Investments Ltd and has over 20 years' experience in public company management, corporate investment and finance, and international M&A. In the past 10 years, Mr Liu has overseen several successful acquisitions and divestitures of mining assets including gold, copper, and coal in China and overseas. Mr Liu holds a Master of Arts from the University of New Brunswick and an MBA from The University of British Columbia in Canada and holds Directorships in a number of public companies listed in Canada, UK, and USA.

During the past three years Mr Liu has not served as Director for any other ASX listed companies.

Henry J. Stacpoole**Independent Non-Executive Director, Member of Audit Committee**

Mr Stacpoole is a Director of Stacpoole Enterprises Pty Ltd, a civil contracting, drilling and mining exploration company based in Launceston in Tasmania. He was a founding Director of Beaconsfield Gold Mines Ltd in 1987 and was closely involved in the development of that company's mine in Tasmania becoming Chairman of the restructured Beaconsfield Gold N.L. in 1992. He resigned as a Director in 2001. He is a Life Member of the Tasmanian Minerals Council.

During the past three years Mr Stacpoole has not served as Director for any other ASX listed companies.

DIRECTORS INFORMATION (CONTINUED)**Paul Woolrich****Executive Director**

B. Sc. (Hons), M.Sc., Ph.D.

Dr Woolrich has over 40 years' experience in the international exploration and mining industry focussed on gold, base metals and PGEs, with the last 20 years spent in senior management positions with Western Mining Corporation, Ranger Minerals Ltd, Orion Resources, Gallery Gold and Platmin Ltd. He was Project Manager in charge of the feasibility study of Platmin's Pilanesberg PGE Project in South Africa in 2004-2006. Dr Woolrich is managing the metallurgical aspect of A-Cap's Bankable Feasibility Study into the viability of the Letlhakane Uranium Project. He holds degrees in geology (BSc honours), geochemistry (MSc) and metallurgy (PhD).

During the past 3 years, Dr Woolrich has also served as a director of the following ASX listed companies:

- Botswana Metals Limited (ASX) (since January 2008)

Mr Jijing Niu**Non-Executive Director**

MBA

Mr Niu graduated from Hunan University majoring in Economics and Information Management and holds an MBA from Fudan University and an EMBA from Cheung Kong School of Business. Mr Niu brings to the Board a wealth of corporate and investment banking experience, having commenced his investment banking career at United Securities Co., Ltd in 1998. From 2005 Mr Niu joined the Investment Banking Division of Guosen Securities Ltd and was promoted to be the Managing Director of the division until 2015. He was appointed as Chairman of Jiangsu Chixiang Precision Gear Co., Ltd. on 8 July, 2016.

During the past three years Mr Niu has not served as Director for any other ASX listed companies.

Mr Chenghu Zhu**Non-Executive Director**

Mr Zhu is an economist having held senior positions across a successful career in Industry & Commerce. Mr Zhu commenced his career as the manager of Yancheng Longgang Supply and Marketing Corporation from 1980 to 1992 and the General Manager of Yancheng Huaxin Industrial General Corporation from 1992 to 1995. Mr Zhu held a Directorship at Yancheng Suburban Government Corporation from 1995 to 1998. Mr Zhu currently holds the following senior positions:

Chairman of Jiangsu Huaxing Investment Group (since 1998)

Deputy President of Jiangsu Federation of Industry and Commerce (since 2012)

Deputy Chairman of Yancheng Federation of Industry and Commerce (since 2012)

President of Yandu Association of Enterprises (since 2012)

Director of Jiangsu Chixiang Precision Gear Co., Ltd

During the past three years Mr Zhu has not served as Director for any other ASX listed companies.

DIRECTORS INFORMATION (CONTINUED)**Interest in the shares and options of the Company**

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

	A Shen	P Ingram	P Thomson	H Stacpoole	P Woolrich	J Fisher-Stamp	M Liu
Ordinary Shares							
Ordinary shares, fully paid	172,988,706	1,737,177	-	3,870,124	4,101,764	832,878	5,954,672
Unlisted Options							
Exercisable at 9c, expiring 31 Oct-17	-	-	2,500,000	-	-	-	-

COMPANY SECRETARY**Nicholas Yeak (appointed 3 July 2015)**

BCom, CPA, Grad Dip (App Corp Gov), ACIS

Mr Yeak has managed A-Cap's financial affairs over the past six years and is responsible for the legal and corporate management of the Consolidated Group. Mr Yeak is a Certified Practising Accountant and Chartered Company Secretary with over 13 years' postgraduate experience in senior finance positions.

PRINCIPAL ACTIVITIES

The Consolidated Group's principal activities during the year have been the ongoing feasibility studies into the Letlhakane Uranium Project, continuing exploration of its tenement portfolio in Botswana and the evaluation of our coal discoveries.

There were no significant changes in the nature of the Consolidated Group's principal activities during the financial year.

REVIEW OF OPERATIONS

During the year the Company has prioritised facilitating the approvals process for our mining licence application, Environmental Impact Statement and project surface rights for the Letlhakane Uranium Project.

- On 18 August 2015 the Company submitted a mining licence application (MLA) for the Letlhakane Uranium Project to the Botswana Department of Mines. The application was based on a technical study, the main outcomes of which were:
 - Positive economics based on forecast uranium average contract price;
 - Initial construction CAPEX of US\$351 million and initial working capital of US\$40 million;
 - Targeting up to 3.75 million lb U₃O₈ p.a. over first 5 years;
 - Pre-Tax NPV of US\$383 million at a discount rate of 8% and IRR of 29%;
 - Operating costs of US\$35/lb U₃O₈ over first 5 years and approximately \$40/lb U₃O₈ over 18-year process life.

REVIEW OF OPERATIONS (CONTINUED)

- On 2 October 2015 the Company announced a new JORC mineral resource upgrade at Letlhakane, utilising Localised Uniform Conditioning (LUC). The updated resource uses a recoverable resource methodology which takes into account the proposed Standard Mining Unit (SMU). The SMU is defined by the proposed mining method utilising surface miners and the proposed grade control system using in-pit surface gamma radiation measurements. The positive results from the 2014 drilling programme were incorporated into the resource estimate, the outcome being an increase in both tonnes (particularly at a 300ppm cut-off) and grade.
- The Company is assessing the LUC resource in terms of mining optimisations. Potential savings on process OPEX costs can be realised from an increase in grade. Results to date are encouraging.
- Following the submission of the Company's Environmental Impact Statement (EIS) to the Botswana Department of Environmental Affairs in March 2015, the EIS was approved in May 2016. The approval follows reference group feedback meetings and a public review process as required by the Environmental Act 2011. The approval of the EIS confirms that the Company has adequately identified and assessed anticipated impacts associated with our uranium project.
- In June 2016 the Mmadinare Sub Land Board granted provisional surface rights over the 144sqm area covering the Letlhakane Uranium Project. The surface rights are provisional upon compensation for the affected land rights holders in the area being resolved.

FINANCIAL PERFORMANCE AND POSITION

The consolidated loss for the year attributable to the members of the Consolidated Group was \$1,307,836 (2015: \$2,969,116).

The net assets of the Consolidated Group for the financial year ended 30 June 2016 was \$53,822,313 (2015: \$49,206,550).

The Directors believe the Consolidated Group is in a strong and stable financial position and able to expand and grow its current operations.

COMPANY STRATEGY

A-Cap's strategy is to develop the flagship Letlhakane Uranium Project in Botswana, one of the largest uranium deposits in the world with distinct comparative advantages in terms of process design and infrastructure towards early production. Having secured environmental approval in May 2016 and conditional surface rights in June 2016, A-Cap were granted a mining licence for the Letlhakane Uranium Project in September 2016. A-Cap will commence planned feasibility work required to take the project into development. A-Cap is currently considering options to release value and monetise coal and base metal tenements through corporate re-organisation and assets sale.

CORPORATE ACTIVITY

- On 3 July 2015:
 - Mr Michael Liu was appointed to the Board of A-Cap as a Non-Executive Director, bringing to the Company years of successful experience in public company management, corporate investment and finance, and international M&A;
 - Mr Paul Ingram was appointed Deputy Chairman of the Company;
 - Mr Nicholas Yeak was appointed to the position of Company Secretary, following the resignation of Mr Denis Rakich.
- During August 2015, A-Cap confirmed the change of its registered office to Level 38, 123 Eagle St, Brisbane QLD, 4000 and its principal place of business to Level 15, 140 St Georges Terrace, Perth WA, 6000;
- On 3 August 2015 Mr John Fisher-Stamp was appointed Chairman of the Company's Audit Committee.
- In September 2015:
 - A-Cap confirmed the terms of services agreements entered into with Non-Executive Directors with respect to corporate advisory services provided by Mr Paul Ingram, Mr John Fisher-Stamp and Mr Michael Liu;
 - The Company confirmed that a drawdown financial accommodation facility of up to AUD \$2 million will be put in place, commencing 15th November 2015 to fund working capital requirements. This facility will be on an arms-length basis, maturing on or before the 15th October 2016.
- On 15 October 2015, 4 million unlisted options exercisable at 50c each expired unexercised;
- During November 2015 A-Cap entered into a financial accommodation facility of up to \$2 million. The facility is on an arm's length basis at an interest rate of 10% per annum. On the 13th November 2015 A-Cap completed a drawdown to fund the Company's short term working capital requirements.
- A Non-Renounceable Rights issue to raise \$5 million through the issue of approximately 250,000,000 new ordinary shares on the basis of 1 new ordinary share in the Company for every 1.9 ordinary shares held, at a price of 2 cents per share, was announced on the 18th November 2015. A prospectus was lodged on the 3rd December 2015 with the offer closing on the 8th January 2016;
- The Annual General Meeting was held in Brisbane at the Company's registered office on 30 November 2015;
- On 10 December 2015, shares in the Company were issued pursuant to resolutions passed at the AGM for 5,693,230 ordinary fully paid shares, and pursuant to ASX Listing Rule 7.1 for 1,320,519 ordinary fully paid shares.
- On 15 December 2015 1 million unlisted options exercisable at 40 cents each expired unexercised;
- On 4 January 2016 A-Cap announced an extension to the closing date of the Non-Renounceable entitlement offer to shareholders to 8 February 2016 in order to allow additional time to eligible shareholders to consider participation;
- On 6 January 2016, A-Cap clarified the extended closing date to be 18 February 2016;
- On 31 January 2016 1.5 million unlisted options exercisable at 33 cents each lapsed unexercised;

CORPORATE ACTIVITY (CONTINUED)

- On 23 February A-Cap confirmed applications were received for the Offer from shareholders for 3,379,404 ordinary shares, resulting in a shortfall of 246,650,203 ordinary shares;
- On 29 February 2016 the Offer was completed with shortfall shares issued to the underwriter, Jianguo. A total of \$5,000,592 was raised from the entitlement offer;
- On completion of the Offer, Jianguo became a substantial shareholder of the Company, with a 34.34% interest. China Growth Minerals' interest reduced to 23.56%.
- In March 2016, A-Cap repaid the \$1 million drawn down from the financial accommodation facility provided on an arm's length basis by Ansheng Investment Co., Ltd;
- On 21 April 2016 3,986,534 ordinary shares were issued in lieu of director fees, consulting fees and wages;
- On 20 June 2016 A-Cap entered into a convertible note subscription deed with Jianguo Chixiang to raise A\$ 5 million.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no other significant changes in the state of affairs during this financial year.

DIVIDENDS

As the Company's principal activities are minerals exploration it has not as yet paid any dividends and does not see any short-term return to shareholders via dividend payments.

COMPANY PROJECTS

A-Cap currently holds 1 Mining Licence (ML) and 17 Prospecting Licenses (PL) across Botswana, covering over 12,136 sq. km's.

SCHEDULE OF INTERESTS IN MINING TENEMENTS

Tenement	Expiry Date	% Holding	Title Holder
Letlhakane 2016/16L	11/09/2038	100	A-Cap Resources Botswana (Pty) Ltd
Mea PL 134/2005	31/12/2016	100	A-Cap Resources Botswana (Pty) Ltd
Bolau PL 138/2005	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Foley PL 125/ 2009	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Hukuntsi PL 002/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Hukuntsi PL 003/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Hukuntsi PL 004/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Werda PL 005/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Kokong PL 006/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Kokong PL 007/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Kokong PL 008/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Salajwe PL 009/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Salajwe PL 010/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Salajwe PL 011/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Jwaneng PL 012/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Jwaneng PL 013/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Sojwe PL 014/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd
Sojwe PL 015/2014	31/03/2017	100	A-Cap Resources Botswana (Pty) Ltd

ENVIRONMENTAL ISSUES

The Consolidated Group's exploration activities are governed by the Botswana Mines and Mineral Act 1999 and the Botswana Environmental Assessment Act 2011. The Department of Environmental Affairs confirmed on the 16th March 2016 that A-Cap's Environmental Impact Statement for the Letlhakane Uranium Project had adequately identified and assessed anticipated impacts associated with the project. Subsequently a four-week public review process commenced pursuant to the Environmental Act 2011. Public comments were received and assessed by the DEA, with formal approval granted on the 13 May 2016 in accordance with Section 12 (1a) of the Botswana Environmental Assessment Act, No.10, of 2011.

To the best of the Directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of the applicable environmental legislation and is not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

AFTER BALANCE DATE EVENTS

- On 6 July 2016 A-Cap advised that the settlement of the convertible note was not approved by the State Administration of Foreign Exchange, Yancheng Branch, China which resulted in the convertible note agreement being terminated on 4 July 2016;
- On 12 July 2016 A-Cap announced that the board of directors had unanimously resolved to raise A\$4 million by way of a fully underwritten non-renounceable entitlement offer to shareholders of approximately 113,636,364 new ordinary shares on the basis of 1 new ordinary share in the Company for every 6.48 ordinary shares held on 2 August 2016, at an issue price of 3.5 cents per share;
- On 28 July 2016 A-Cap issued 1,718,456 ordinary fully paid shares to directors and consultants in lieu of fee reductions;
- On 12 August 2016 A-Cap issued 3,685,210 ordinary fully paid shares to consultants pursuant to director service agreements.
- On 25 August 2016 the non-renounceable entitlement offer to shareholders closed, with A-Cap receiving applications for 10,658,884 ordinary shares, raising \$373,061, and resulting in a shortfall of 102,775,165 ordinary shares. New shares were allotted on 31 August 2016.
- On 1 September 2016 102,977,480 ordinary shares were allotted to Jiangsu Chixiang Precision Gear Co. Ltd following settlement of \$3,604,212 for shortfall shares under the non-renounceable entitlement offer pursuant to an Underwriting Agreement.
- On 7 September 2016 3,409,091 ordinary shares were allotted to Jiangsu Chixiang Precision Gear Co., Ltd as settlement for the underwriting fee of \$119,318 for the non-renounceable entitlement offer. The shares were allotted pursuant to the prospectus dated 26 July 2016 and an underwriting agreement between A-Cap and Jiangsu Chixiang.
- On 8 September 2016 A-Cap received formal confirmation that the Botswana Department of Mines had granted a mining licence for the Letlhakane Uranium Project. The mining licence is effective from 12 September 2016 for 22 years.
- On 19 September 2016:
 - Mr Harry Stacpoole resigned as Independent Non-Executive Director of A-Cap;
 - Dr Paul Woolrich resigned as Executive Director of A-Cap;
 - Mr Jijing Niu was appointed as Non-Executive Director of A-Cap;
 - Mr Chenghu Zhu was appointed as Non-Executive Director of A-Cap.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the Consolidated Group, the results of these operations or the state of affairs of the Consolidated Group in subsequent years.

LIKELY DEVELOPMENTS

Following the grant of the mining licence for the Letlhakane Uranium Project, A-Cap will commence the next phase of feasibility work to take the project into development. The Company is assessing options to divest and monetise our coal projects and base metals tenements.

REMUNERATION REPORT - AUDITED

DIRECTORS' MEETINGS

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

Director	Board of Directors		Audit Committee	
	Held	Attended	Held	Attended
A Shen	5	4	-	-
P Ingram	5	5	2	2
P Thomson	5	5	-	-
H Stacpoole	5	5	2	2
P Woolrich	5	5	-	-
J Fisher-Stamp	5	4	2	2
Michael Liu	5	4	-	-

Remuneration Policy

Executive Director Remuneration

The remuneration policy of A-Cap Resources Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The Board of A-Cap Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Consolidated Group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Consolidated Group is as follows:

- The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives was developed internally based on industry-wide benchmarks, and approved by the Board based on the research and information provided.
- All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation.
- The Board reviews executive packages annually by reference to executive performance and remuneration packages for similar positions in comparable companies.

The Directors and executives receive a superannuation guarantee contribution in compliance with government requirements.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black & Scholes model.

REMUNERATION REPORT – AUDITED (CONTINUED)

Non-executive Director Remuneration

The Board's policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate fees (currently set at \$300,000 p.a. as of the 2010 Annual General Meeting) that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Consolidated Group. The maximum aggregate fees exclude consulting fees paid to Non-executive Director's for work outside the scope of their role as Non-executive Directors.

To align Directors' interests with shareholder interest, the Directors are encouraged to hold shares in the Company. Director options are issued in accordance with resolution passed at the Company's Annual General Meeting.

Company Performance, Shareholders Wealth and Directors' and Executives Remuneration

Remuneration of Directors is not impacted by the following

- (i) dividends paid by the Company to its shareholders during the year;
- (ii) changes in share price at which shares in the Company are traded between the beginning and the end of the year;
- (iii) any return of capital by the Company to its shareholders during the year that involves cancellation of shares in the Company and payments to shareholders that exceeds the price at which shares in that class are being traded at the time when the shares are cancelled; and
- (iv) any other relevant matter.

Key Management Personnel (other than Directors) Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management (other than directors) for the group follows.

The remuneration structure for key management personnel (other than directors) is based on a number of factors, including length of service and particular experience of the individual concerned.

The contracts for service between the Company and key management personnel (other than directors) are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, key management personnel are paid employee benefit entitlements accrued at the date of retirement.

For the reporting year, the Company currently has no performance based remuneration component built into director and executive remuneration packages. Options issued are commensurate with the level of responsibility held by the director or executive, and aligns the long term goals and objectives between shareholders, directors and executives.

REMUNERATION REPORT – AUDITED (CONTINUED)

Service Agreements

As at the date of this report, the Company has no service agreements with any Directors except the following:

Remuneration and other terms of employment for the chief executive officer is formalised in a service agreement. The service agreement specifies the components of remuneration, benefits and notice periods.

Paul Thomson

Term: Three years commencing 1st September 2014

Base salary: USD \$320,000 per annum

Notice period: Three months' written notice

Redundancy: 12 months' service fee

Mr Thomson's service agreements relates to his position as Chief Executive Officer of A-Cap.

Paul Anthony Ingram

Entity: Fabian Entertainment Pty Ltd

Related party: Mr Ingram is a director and major shareholder of Fabian Entertainment Pty Ltd and a beneficiary of the Paul Ingram Family Trust.

Service fee: USD \$12,500 per month

Service period: Commencing 1 September 2015

Notice period: 30 days

Termination amount: one months' consultancy service fee

Terms of payment: Monthly invoice issued at the start of each month, 50% settled in cash within 14 days of issue of tax invoice, 50% settled in A-Cap ordinary shares subject to shareholder approval. Issued shares calculated based on the Australian equivalent monthly service fee divided by the listed share price at the start of the invoice period.

Mr Ingram's service agreement is for the provision of corporate advisory services to A-Cap including capital markets, Business development, Project technical support and market making.

John Fisher-Stamp

Entity: Catus Pty Ltd

Related party: Mr Fisher-Stamp is a director and major shareholder of Catus Pty Ltd and a beneficiary of the Innovation Trust

Service fee: USD \$12,500 per month

Service period: Commencing 1 September 2015

Notice period: 30 days

Termination amount: one months' consultancy service fee

Terms of payment: Monthly invoice issued at the start of each month, 50% settled in cash within 14 days of issue of tax invoice, 50% settled in A-Cap ordinary shares subject to shareholder approval. Issued shares calculated based on the Australian equivalent monthly service fee divided by the listed share price at the start of the invoice period.

Mr Fisher-Stamp's service agreement is for the provision of corporate advisory services to A-Cap including capital markets, finance, disclosure documents, commercial and contractual advice, key functional responsibilities commensurate with a CFO.

REMUNERATION REPORT - AUDITED (CONTINUED)**Michael Liu**

Entity:	V & D Investments
Related party:	Mr Liu is a director and major shareholder of V & D Investments.
Service fee:	USD \$12,500 per month
Service period:	Commencing 1 September 2015
Notice period:	30 days
Termination amount:	one months' consultancy service fee
Terms of payment:	Monthly invoice issued at the start of each month, 50% settled in cash within 14 days of issue of tax invoice, 50% settled in A-Cap ordinary shares subject to shareholder approval. Issued shares calculated based on the Australian equivalent monthly service fee divided by the listed share price at the start of the invoice period.

Mr Liu's service agreement is for the provision of corporate advisory services to A-Cap including capital markets, investor liaison and market making.

No executive is entitled to any termination benefits as defined under the Corporations Act 2001.

Use of Remuneration Consultants

Due to the size and nature of the organisation, the Company has not engaged remuneration consultants to review and measure its policy and strategy. The Board reviews remuneration strategy periodically and may engage remuneration consultants in future to assist with this process.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')

At the 2015 AGM, 98% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

REMUNERATION REPORT - AUDITED (CONTINUED)

Directors

Name	Short-term Benefits			Long-term benefits	Post-employment benefits		Share-based payments		Total	
	Salary & Fees \$	Consulting Fees \$		Annual leave \$	Long service leave \$	Superannuation \$	Termination benefits \$	Options		Shares
		Cash-settled	Share-settled (accrued)					\$		\$
30 June 2016										
A Shen	25,000	-	-	-	-	-	-	-	20,740	45,740
P Ingram	23,192	103,949	102,366	-	-	2,203	-	-	20,740	252,450
P Thomson	436,416	-	-	-	-	-	-	-	-	436,416
H Stacpoole	23,192	-	-	-	-	2,203	-	-	20,740	46,135
P Woolrich	23,192	73,136	-	-	-	2,203	-	-	20,740	119,271
J Fisher-Stamp	23,192	90,517	88,934	-	-	2,203	-	-	13,707	218,553
M Liu*	24,775	86,478	86,243	-	-	-	-	-	13,343	210,839
R Pett**	-	-	-	-	-	-	-	-	24,318	24,318
R Lockwood***	-	-	-	-	-	-	-	-	7,848	7,848
Total	578,959	354,080	277,543	-	-	8,812	-	-	142,176	1,361,570
30 June 2015										
A Shen	20,833	-	-	-	-	-	-	-	18,522	39,355
P Ingram	25,000	-	-	-	-	2,375	-	-	30,976	58,351
P Thomson	385,865	-	-	-	-	-	-	48,304	-	434,169
H Stacpoole	25,000	-	-	-	-	2,375	-	-	30,976	58,351
P Woolrich	25,000	169,400	-	-	-	-	-	-	53,749	248,149
R Pett	23,783	25,000	-	-	-	2,259	-	-	67,074	118,116
R Lockwood	25,000	-	-	-	-	-	-	-	28,349	53,349
Total	530,481	194,400	-	-	-	7,009	-	48,304	229,646	1,009,840

Executives

Name	Short-term Benefits			Long-term Benefits	Post-employment benefits		Share-based payments		Total
	Salary & Fees \$	Non-monetary \$	Annual leave \$	Long service leave \$	Superannuation \$	Termination benefits \$	Options \$	Shares \$	
30 June 2016									
N Yeak****	165,738	-	-	-	15,745	-	-	-	181,483
D Rakich*****	9,846	-	23,662	20,690	985	72,342	-	8,106	135,631
Total	175,584	-	23,662	20,690	16,730	72,342	-	8,106	317,114
30 June 2015									
D I Rakich	128,000	-	-	-	12,800	-	-	42,495	183,295
Total	128,000	-	-	-	12,800	-	-	42,495	183,295

* Mr Liu was appointed to the Board of A-Cap on 3 July 2015.

** Mr Pett resigned from the Board of A-Cap on 11 June 2015.

*** Mr Lockwood resigned from the Board of A-Cap on 22 June 2015.

**** Mr Yeak was appointed as Company Secretary of A-Cap on 3 July 2015.

***** Mr Rakich resigned as Company Secretary of A-Cap on 3 July 2015.

REMUNERATION REPORT – AUDITED (CONTINUED)**Transactions with Key Management Personnel**

	Consolidated Group	
	2016	2015
	\$	\$
Geological and metallurgical consulting fees paid to Woolrich & Associates, a company in which Dr Paul Woolrich is a Director and shareholder.	73,136	169,400
Consulting fees paid to Raba-Rax Solutions, a company in which Mr Paul Thomson is a Director. Raba-Rax also provides consulting on health & radiation safety to A-Cap.	475,502	468,997
Consulting fees paid to Fabian Entertainment Pty Ltd, a company in which Mr Paul Ingram is a Director.	103,949	-
Consulting fees paid to Catus Pty Ltd, a company in which Mr John Fisher-Stamp is a Director.	90,518	-
Consulting fees paid to V&D Investments, a company in which Mr Michael Liu is a Director.	16,883	-
Underwriting fee paid to Ansheng Investment Co, Ltd, a company in which Mr Shen is the Chairman of.	-	174,112
Consulting fees paid to Robert Pett for business development services.	-	25,000
	759,988	837,509

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following amounts were due to key management personnel as at the reporting date:

Woolrich & Associates	\$4,737
Fabian Entertainment Pty Ltd	\$103,109
Catus Pty Ltd	\$89,677
Michael Liu	\$69,358
V&D Investments	\$16,859

Payments made to Raba-Rax Solutions include remuneration paid to Paul Thomson under his service agreement with A-Cap. Amounts due to Fabian Entertainment Pty Ltd, Catus Pty Ltd, Michael Liu and V&D Investments are to be settled in shares in the Company, pursuant to terms of respective service agreements and subject to shareholder approval.

These amounts are disclosed in the remuneration report.

Options Issued as part of remuneration of Key Management Personnel

No options were issued during the year and up to the date of this report (2015: 3,200,000).

REMUNERATION REPORT – AUDITED (CONTINUED)

Number of Shares held by Key Management Personnel

2016	Balance 1.7.2015	Remuneration	Net Change Other	Balance 30.6.2016
Directors				
A Shen	177,241,220	1,129,804	(5,382,318) *	172,988,706
P Ingram	607,373	1,129,804	-	1,737,177
P Thomson	-	-	-	-
H Stacpoole	2,740,320	1,129,804	-	3,870,124
P Woolrich	1,664,010	2,437,754	-	4,101,764
J Fisher-Stamp	38,000	794,878	-	832,878
M Liu	5,177,110	777,562	-	5,954,672
Executives				
N Yeak	-	-	-	-
D I Rakich	833,228	540,378	(1,373,606)**	-
Total	188,301,261	7,939,984	(6,755,924)	189,485,321

* Net change other represents off-market transfers during the year.

** Net change other represents the resignation of the above key management personnel from the Company

- On 10 December 2015, 4,161,522 shares were issued to key management personnel following a resolution of members at the annual general meeting. Shares vested at the time of issue.

KMP	Shares	Issue price	Terms
A Shen	632,158	4.284c	In lieu of reduction in director fees, calculated based on average VWAP for the reduction period 1 Sep-14 to 30 Sep-15
P Ingram	632,158	4.284c	
H Stacpoole	632,158	4.284c	
P Woolrich	632,158	4.284c	
J Fisher-Stamp	297,232	2.397c	
M Liu	279,916	2.178c	
Woolrich & Associates	1,055,742	4.234c	In lieu of reduced consulting fees pursuant to cost reduction plan calculated based on average VWAP for the reduction period 1 Oct-14 to 30 Sep-15

- On 21 April 2016 3,778,462 shares were issued to key management personnel. Shares vested at the time of issue, with shares issued under the Director Share Plan restricted from being traded before the earlier of a period of one year from the grant date.

KMP	Shares	Issue price	Terms
A Shen	497,646	1.675c	In lieu of director fees, calculated based on average VWAP for the period 1 Dec-15 to 31 Mar-16 pursuant to Director Share Plan
P Ingram	497,646	1.675c	
H Stacpoole	497,646	1.675c	
P Woolrich	497,646	1.675c	
J Fisher-Stamp	497,646	1.675c	
M Liu	497,646	1.675c	
D Rakich	540,378	4.726c	In lieu of reduction in salary, calculated based on average VWAP for the reduction period 1 Oct-14 to 24 Jun-15
Woolrich & Associates	252,208	1.784c	In lieu of reduced consulting fees pursuant to cost reduction plan calculated based on average VWAP for the reduction period 1 Oct-15 to 29 Feb-16

REMUNERATION REPORT – AUDITED (CONTINUED)

Director Share Plan

A resolution to establish a Director Share Plan (DSP) was approved by Shareholders at the 2015 AGM held on 30 November 2015. The purpose of the Director Share Plan is to provide Directors of the Company with the ability to sacrifice their Director fees to acquire ordinary fully paid shares in the capital of the Company. In the current economic climate, the salary sacrifice serves as an effective cash preservation mechanism, whilst aligning the interests of directors with those of shareholders. The DSP in summary operates as follows:

- Shares issued under the DSP are an exception to ASX Listing Rule 7.1 (ASX Listing Rule 7.2, exception 9);
- All directors are eligible to participate in the DSP;
- At the Company's discretion, it may either issue new shares to Directors or acquire shares on the ASX for the benefit of directors under the plan;
- Shares due under the DSP are calculated based on a volume weighted average price (VWAP) for the salary sacrifice period multiplied by the sacrificed amount;
- The maximum number of shares that may be issued under the DSP, together with the number of shares issued or issuable under any other employee incentive scheme of the Company, within the previous 3 years, may not exceed 5% of the issued and outstanding shares from time to time. The maximum number of shares that may be acquired under the DSP is 22,500,000 shares (ASX Listing Rule 10.14);
- Shares issued to Directors under the DSP are restricted from dealing before the earlier of:
 - one year from acquisition;
 - the time the Directors ceases to be a Director of the Company;
 - the time when a takeover bid is made for the Company or a merger transaction is announced or entered into by the Company that will result in a person having a relevant interest in 50% of more of the Shares; and
 - any time that the Board gives notice that the Shares have ceased to be subject to any restrictions on disposal, which notice can be given at the discretion of the Board.

Cost Reduction Plan

The Board of Directors implemented a Cost Reduction Plan (CRP) in May 2013 to preserve cash in light of the economic climate. Directors agreed to have 50% of their director fees paid in shares, whereas executives and consultants were offered to have 20% of their wages & salaries and consulting fees paid in shares. Key terms of the CRP are as follows:

- The CRP remains in place until terminated by the Board of Directors;
- The number of shares due to Directors, employees and consultants is calculated on a VWAP for the reduction period multiplied by the reduction amount;
- Shares due under the CRP are subject to shareholder approval and ASX Listing Rules.

REMUNERATION REPORT – AUDITED (CONTINUED)**Number of Options Held by Key Management Personnel**

2016	Balance 1.7.2015	Remuneration	Options Exercised	Options Expired During the Year	Net Change Other	Balance 30.6.2016	Vested and exercisable 30.6.2016	Unvested and unexercisable 30.6.2016
Directors								
A Shen	-	-	-	-	-	-	-	-
P Ingram	-	-	-	-	-	-	-	-
P Thomson	4,200,000	-	-	1,700,000*	-	2,500,000	2,500,000	-
H Stacpoole	1,000,000	-	-	1,000,000*	-	-	-	-
P Woolrich	1,000,000	-	-	1,000,000*	-	-	-	-
J Fisher-Stamp	-	-	-	-	-	-	-	-
M Liu	-	-	-	-	-	-	-	-
Executives								
N Yeak	700,000	-	-	-	700,000**	700,000	700,000	-
Total	6,200,000	-	-	3,700,000	700,000	3,200,000	3,200,000	-

* Options expired during the year were as follows:

P Thomson	200,000	(issued December 2011)
	1,500,000	(issued April 2012)
H Stacpoole	1,000,000	(issued November 2011)
P Woolrich	1,000,000	(issued November 2011)

** Appointed Company Secretary 3 July 2015.

There have been no other transactions involving equity instruments other than those described above. For details of other Key Management Personnel transactions, refer to Note 23: Related Party Information.

This concludes the remuneration report which has been audited.

OPTIONS ISSUED DURING THE YEAR

No options were issued as part of remuneration during the year and up to the date of this report (2015: 5,700,000).

At the date of this Report, the unissued ordinary shares of the Company under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number of Options	Fair Value of Options at Grant Date \$
15/08/2007	-	Exercisable at eighty percent (80%) of market price on exercise date with the grantee required to be in the employ of the Company or subsidiary thereof, at the time of exercise.	10,000	-
31/10/2014	15/12/2016	\$0.09	5,700,000	48,304
Total			5,710,000	

- The options are unlisted but upon exercise will rank equally in all respects with the fully paid ordinary shares in the Company
- The options tabled above are not performance related
- The options tabled above are vested immediately and entitles the option holder to one ordinary share for each option exercised
- No option holder has the right under the options to participate in any other share issue of the Company or any other entity
- No options were exercised during the financial year to 30 June 2016 and subsequent to the reporting date.
- During the year 6,500,000 unlisted options issued to A-Cap employees lapsed. Refer to Note 5: Share based payments.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify the current directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their designated position of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executives of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE 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.

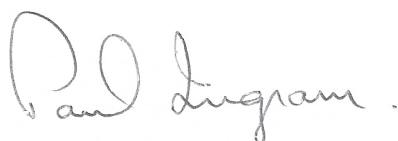
NON-AUDIT SERVICES

There were no fees for non-audit services paid to the external auditors during the year ended 30 June 2016.

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the year ended 30 June 2016 has been received and can be found on page 22 of this Report.

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

A handwritten signature in black ink that reads "Paul Ingram". The signature is written in a cursive style with a period at the end.

Paul Ingram

Deputy Chairman

Dated this 27th day of September 2016

Perth, Western Australia

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF A-CAP RESOURCES LIMITED AND ITS
CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A handwritten signature in blue ink that reads 'J. C. Luckins'.

J. C. Luckins
Director

Dated this 27TH day of September, 2016

**CHARTERED ACCOUNTANTS
& ADVISORS**

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williambuck.com

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement is set out on our website www.a-cap.com.au.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
Revenue	2	30,455	56,868
R&D tax credits received		962,605	270,378
Other income		-	215,990
Administration		(208,766)	(183,583)
Corporate		(913,807)	(419,556)
Employment entitlements		(938,825)	(1,275,576)
Impairment of capitalised exploration and evaluation		-	(764,738)
Loss on financial assets at fair value through profit and loss		(34,213)	(606,820)
Occupancy		(84,919)	(142,695)
Travel		(120,366)	(119,384)
Loss from ordinary activities before income tax expense		(1,307,836)	(2,969,116)
Income tax expense	3	-	-
Loss from ordinary activities after income tax expense attributable to the parent		(1,307,836)	(2,969,116)
Other Comprehensive Income			
Items that may be reclassified to profit & loss			
Gains / (losses) arising from translation of foreign controlled operation		963,230	6,477,742
Total comprehensive (loss) / income attributable to the parent		(344,606)	3,508,626
Basic loss per Share (cents per share)	7	(0.23)	(0.78)
Diluted loss per Share (cents per share)	7	(0.23)	(0.78)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	4,090,542	2,207,637
Financial assets at fair value through profit and loss	9	152,711	186,924
Trade and other receivables	10	215,332	211,265
Total current assets		4,458,585	2,605,826
Non-current assets			
Plant and equipment	13	152,920	239,484
Capitalised exploration and evaluation	14	49,983,564	47,335,421
Total non-current assets		50,136,484	47,574,905
TOTAL ASSETS		54,595,069	50,180,731
LIABILITIES			
Current liabilities			
Trade & other payables	15	772,756	974,181
Total current liabilities		772,756	974,181
TOTAL LIABILITIES		772,756	974,181
NET ASSETS		53,822,313	49,206,550
EQUITY			
Contributed equity	16	66,794,927	62,818,725
Reserves	17	6,978,305	6,015,075
Accumulated losses		(19,950,919)	(19,627,250)
TOTAL EQUITY		53,822,313	49,206,550

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Ordinary shares	Options reserve	Accumulated losses	Foreign currency translation reserve	Total
	\$		\$	\$	\$
At 1 July 2015	61,702,559	1,116,166	(19,627,250)	6,015,075	49,206,550
Loss for the period	-	-	(1,307,836)	-	(1,307,836)
Other comprehensive income	-	-	-	963,230	963,230
Total comprehensive income for the year	-	-	(1,307,836)	963,230	(344,606)
Transactions with owners in their capacity as owners:					
Issued capital	5,207,679	-	-	-	5,207,679
Issued unlisted options	-	-	-	-	-
Expired unlisted options	-	(984,167)	984,167	-	-
Share issue costs – net of tax	(247,310)	-	-	-	(247,310)
At 30 June 2016	66,662,928	131,999	(19,950,919)	6,978,305	53,822,313

	Ordinary shares	Options reserve	Accumulated losses	Foreign currency translation reserve	Total
	\$		\$	\$	\$
At 1 July 2014	57,554,845	2,649,482	(18,301,582)	(462,667)	41,440,078
Loss for the period	-	-	(2,969,116)	-	(2,969,116)
Other comprehensive income	-	-	-	6,477,742	6,477,742
Total comprehensive income for the year	-	-	(2,969,116)	6,477,742	3,508,626
Transactions with owners in their capacity as owners:					
Issued capital	4,349,069	-	-	-	4,349,069
Issued unlisted options	-	110,132	-	-	110,132
Expired unlisted options	-	(1,643,448)	1,643,448	-	-
Share issue costs – net of tax	(201,355)	-	-	-	(201,355)
At 30 June 2015	61,702,559	1,116,166	(19,627,250)	6,015,075	49,206,550

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(1,838,217)	(1,793,383)
R&D Tax Credit		962,605	270,378
Interest received		20,479	59,209
Net Cash (Outflow) from Operating Activities	21	(855,133)	(1,463,796)
Cash Flows from Investing Activities			
Exploration Expenditure		(1,845,938)	(5,334,152)
Purchase of property, plant and equipment		(10,516)	(9,974)
Proceeds from sale of property, plant and equipment		1,226	-
Net Cash (Outflow) from Investing Activities		(1,855,228)	(5,344,126)
Cash Flows from Financing Activities			
Proceeds from issues of ordinary shares		5,000,592	3,986,381
Payments of share issue costs		(407,326)	(41,336)
Net Cash Inflow from Financing Activities		4,593,266	3,945,045
Net Increase / (decrease) in Cash and Cash Equivalents Held		1,882,905	(2,862,877)
Cash and cash equivalents at the Beginning of the Financial Year		2,207,637	5,070,514
Cash and cash equivalents at the End of the Financial Year	8	4,090,542	2,207,637

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements include the consolidated financial statements and notes of A-Cap Resources Limited and controlled entities ('Consolidated Group'). A-Cap Resources Limited is a for-profit company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Stock Exchange.

Supplementary information about the parent entity is disclosed in Note 12: Parent Entity Information.

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, ('AASB') and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of A-Cap Resources Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. A-Cap Resources Limited and its subsidiary together are referred to in these financial statements as the 'Consolidated Group'. Subsidiaries are all those entities over which the Consolidated Group has control. The Consolidated Group controls an entity when the Consolidated 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Group. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Principles of Consolidation (continued)**

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Group. Losses incurred by the Consolidated Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Income Tax

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the benefits of deferred tax assets can be utilised.

When temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

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

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

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment – vehicles	25%
Plant and equipment – computer hardware & software	20%
Plant and equipment – furniture and fittings	15%
Plant and equipment – geophysical equipment	20%
Plant and equipment – containers and sheds	15%
Plant and equipment – camp & field establishment	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Exploration, Evaluation and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a present value basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Financial Instruments*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(f) Financial Instruments (continued)**

The Effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Refer to Note 1 (o) for further information.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(f) Financial Instruments (continued)**

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(g) Impairment of Assets

At the end of each reporting period, the Consolidated Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Foreign Currency Transactions and Balances*Functional and presentation currency*

The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The Directors have determined that an Australian dollar presentation currency will continue to deliver Shareholders with more relevant and reliable information, on the basis that users of A-Cap Resources Limited's financial statements are currently predominantly Australian investors, with the majority of funds raised to date being in line with the presentation currency of the parent entity.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange difference arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(h) Foreign Currency Transactions and Balances***Group companies*

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

(i) Employee Benefits

Provision is made for the Consolidated Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be wholly settled later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those benefits are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows.

(j) Trade & Other Payables

Trade and other payables represent liabilities outstanding at the end of the reporting period for goods and services received by the Consolidated Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of liability.

(k) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(l) Revenue

All revenue is stated net of the amount of goods and services tax (GST) & Value Added Tax (VAT).

Interest revenue is recognised as interest accrues using the effective interest method.

Revenue from R&D credits paid by the Australian Taxation Office are recognised at the time the payment is received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(m) Goods and Services Tax (GST) & Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the Australian Tax Office and Botswana Unified Revenue Services. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST/VAT.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST/VAT component of investing and financing activities, which are disclosed as operating cash flows.

(n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(p) Fair Value Measurement

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1 of the Fair Value Hierarchy as defined in AASB13 *Fair Value Measurement*.

(q) Earnings per Share*Basic earnings per share*

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

Diluted earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(r) Share-based payments**

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied. If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(s) Critical Accounting Estimates and Judgements

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

Key judgement – Exploration and Evaluation Expenditure

The Consolidated Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. For further details refer to note 14.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(s) Critical Accounting Estimates and Judgements (continued)**

The Department of Mines have confirmed that all our other prospecting licences are in good standing and all annual rental payments due have been paid. A Mining Licence Application was submitted in August 2015 to the Botswana Ministry of Minerals, Energy and Water Services.

Key estimates – Withholding Tax

Withholding tax is applicable to all management and consultancy fees paid by the Consolidated Group to non-residents of Botswana. On an annual basis, any withholding tax liability estimates are reviewed and where a more appropriate and correct amount is calculated, the re-estimated balance is adjusted against the statement of profit or loss and other comprehensive income.

Deferred tax assets

The Directors have determined that currently the Consolidated Group will not be able to offset its tax losses and temporary tax differences against future taxable income, and on this basis has not recognised a net deferred tax asset in the financial statements.

(t) New Revised or Amending Accounting Standards and Interpretations Adopted

The Consolidated Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have and significant impact on the financial performance or position of the Consolidated Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(u) New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2016 are outlined in the table below:

Standard	Mandatory date for annual reporting periods beginning on or after	Reporting period standard adopted by the company
AASB 9 Financial Instruments and related standards	1 January 2018	1 July 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	1 July 2018
AASB 2015-1 Annual improvements 2012 – 2014 cycle	1 January 2016	1 July 2016
AASB 16 - Leases	1 January 2019	1 July 2019

Management are currently assessing the impact of these new standards. The impact of these standards are not expected to be material to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 REVENUE

	2016	2015
	\$	\$
Revenue from ordinary activities		
Interest - received	30,455	56,868
Other income		
Insurance Recoveries	-	2,368
Re-estimation of withholding tax*	-	213,622
Total other income	30,455	272,858

* Refer Note 1s: Key Estimates – Withholding tax

NOTE 3 INCOME TAX EXPENSE

	2016	2015
	\$	\$
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit/(loss) before income tax expense	(1,307,836)	(2,969,116)
Prima facie tax payable on profit / (loss) from ordinary activities before income tax at the Australian tax rate of 30% (2015: 30%):	(392,351)	(890,735)
Difference in overseas tax rates (Botswana tax rate: 22% (2015: 22%))	20,713	30,119
Add:		
Tax effect of:		
- Non-assessable income	-	(64,087)
- Non- deductible expenses	96,609	549,658
Income Tax benefit not recognised	(275,029)	(375,045)

There was no current income tax expense for the year ended 30 June 2016 (2015: \$nil) due to the loss from operations.

At 30 June 2016, the Consolidated Group reviewed the quantum of its unrecognised carry forward tax losses and timing differences. As at that date management has assessed that its carry forward tax losses and timing differences of \$3,758,797 (2015: \$3,483,769) potentially available to offset against future years' taxable income.

These tax losses have not been brought to account as utilisation of these losses is not probable. Income tax losses can only be recovered by the company deriving future assessable income, conditions for deductibility imposed by law being complied with and no changes in tax legislation adversely affecting the realisation of the benefit from the deductions. Therefore, carry forward losses may not be available to offset future assessable income.

Due to the inherent uncertainty whether or not the Consolidated Group's existing losses can be used going forward, which will be dependent upon satisfaction of the "same business test" as required by the Australian Tax Office, the directors have not estimated the potential carry-forward loss tax credits available to the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 KEY MANAGEMENT PERSONNEL

Details of key management personnel

The Directors and key management personnel of the Company during the financial year were:

A Shen	(Chairman)	P A Ingram	(Deputy Chairman, Non-Executive Director)
P Thomson	(Managing Director)	H J Stacpoole	(Independent Non-Executive Director)
P Woolrich	(Executive Director)	J Fisher-Stamp	(Non-Executive Director)
M Liu	(Non-Executive Director)	N Yeak	(Company Secretary)

Key management personnel compensation

	2016 (\$)	2015 (\$ \$)
Short-term employee benefits	1,409,828	852,881
Post-employment benefits	25,542	19,809
Other long-term benefits	20,690	-
Termination benefits	72,342	-
Share-based payment	150,282	320,444
Total compensation	1,678,684	1,193,134

Refer Note 5: Share-based payments for further information relating to the Company's Executive & Employee option plan.

NOTE 5 SHARE-BASED PAYMENTS

- On 15 October 2015, 4 million unlisted options exercisable at 50c each expired unexercised;
- On 10 December 2015, shares in the Company were issued pursuant to resolutions passed at the AGM for 7,013,749 ordinary fully paid shares, and pursuant to ASX Listing Rule 7.1 for 1,320,519 ordinary fully paid shares. Shares vested on the issue date.
 - 3,105,780 shares were issued to Directors in lieu of reduced director fees for the period Sep-14 to Oct-15 calculated on an average VWAP price of 4.284 cents per share. The shares were issued pursuant to the Company's Cost Reduction Plan dated 23 May 2013 whereby Directors sacrifice 50% of their director fees to be paid in shares in the Company.
 - 1,531,709 shares were issued to former Directors in lieu of reduced director fees for the period Sep-14 to Oct-15 calculated on an average VWAP price of 4.284 cents per share. The shares were issued pursuant to the Company's Cost Reduction Plan dated 23 May 2013 whereby Directors sacrifice 50% of their director fees to be paid in shares in the Company.
 - 393,571 shares were issued to a former employee in lieu of reduced salary for the period Oct-14 to Mar-15 calculated on an average VWAP price of 5.376 cents per share. The shares were issued pursuant to the Company's Cost Reduction Plan dated 23 May 2013 whereby employees sacrifice 20% of their salary to be paid in shares in the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 SHARE-BASED PAYMENTS (CONTINUED)

- 1,982,689 shares were issued to consultants in lieu of reduced consulting fees for the period Oct-14 to Sep-15 calculated on an average VWAP price of 4.234 cents per share. The shares were issued pursuant to the Company's Cost Reduction Plan dated 23 May 2013 whereby consultants sacrifice 20% of their consulting fees to be paid in shares in the Company.
- On 15 December 2015 1 million unlisted options exercisable at 40 cents each expired unexercised;
- On 31 January 2016 1.5 million unlisted options exercisable at 33 cents each lapsed unexercised;
- On 21 April 2016 3,986,534 ordinary shares were issued in lieu of director fees, consulting fees and wages, with shares vesting on issue date.
 - 2,985,876 shares were issued to Directors in lieu of reduced director fees for the period Dec-15 to Mar-16 calculated based on an average VWAP price of 1.675 cents per share. The shares were issued pursuant to the Director Share Plan and are restricted from being traded for a period of no less than one year from grant date;
 - 460,280 shares were issued to consultants in lieu of reduced consulting fees for the period Oct-15 to Feb-16 calculated based on an average VWAP price of 1.784 cents per share. The shares were issued pursuant to the Company's Cost Reduction Plan dated 23 May 2013 whereby consultants sacrifice 20% of their consulting fees to be paid in shares in the Company.
 - 540,378 shares were issued to a former employee in lieu of reduced salary for the period Oct-14 to Jun-15 calculated based on an average VWAP price of 4.726 cents per shares. The shares were issued pursuant to the Company's Cost Reduction Plan dated 23 May 2013 whereby certain employees sacrifice 20% of their salary to be paid in shares in the Company.
- The total expense recognised for the period arising from share based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions.

	2016		2015	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	12,210,000	0.28	13,510,000	0.43
Granted	-	-	5,700,000	0.09
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(6,500,000)	0.45	(7,000,000)	0.48
Outstanding at year-end	5,710,000	0.09	12,210,000	0.28
Exercisable at year-end	5,710,000	0.09	12,210,000	0.28

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 5 SHARE-BASED PAYMENTS (CONTINUED)**

At 30 June 2016 there were 5,710,000 unissued ordinary shares of the Company for which the majority of options were outstanding as follows:

Grant date	Date of expiry	Exercise price	No. of options (i)	Fair value per option
31 Oct-14	31 Oct-17	9 cents	5,700,000	1.9c

(i) All options on issue are vested and exercisable and are valued using the Black & Scholes model.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The weighted average remaining contractual life of share options outstanding at year end was 1.34 years (2015: 1.30 years).

The Consolidated Group has an Executive and Employee Option Plan. Options granted under the plan carry no dividend or voting rights. All employees except Directors are entitled to participate in the scheme at the discretion of the Directors and upon terms stipulated by the Directors. Director options are issued in accordance with a resolution passed at the Company's annual general meeting. All options granted to key management personnel are for ordinary shares in A-Cap Resources Limited, which confer a right of one ordinary share for every option held.

NOTE 6 REMUNERATION OF AUDITORS

	2016	2015
	\$	\$
Remuneration of the auditors of the Consolidated Group for:		
Audit and review of the financial report – William Buck Audit (Vic) Pty Ltd	37,500	34,500
Audit and review of the financial report of subsidiary entity – Non William Buck audit firm	14,483	13,815
	51,983	48,315

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 EARNINGS PER SHARE

	2016	2015
	\$	\$
a) Reconciliation of losses to profit or loss		
Loss used to calculate basic EPS	(1,307,836)	(2,969,116)
Loss used to calculate diluted EPS	(1,307,836)	(2,969,116)
	No.	No.
b) Weighted average number of ordinary shares used in the calculation of basic earnings per share	563,088,980	390,165,026
c) Weighted average number of dilutive options	10,000	10,000
d) Weighted average number of ordinary shares used in the calculation of dilutive earnings per share	563,088,980	390,165,026
e) Anti-dilutive options on issue not used in dilutive earnings per share calculation	5,700,000	12,200,000

NOTE 8 CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash at bank and on hand	1,515,481	66,667
Call deposit	325,061	2,140,970
Term deposits	2,250,000	-
	4,090,542	2,207,637
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows are reconciled to items in the statement financial position as follows:		
Cash and cash equivalents	4,090,542	2,207,637
	4,090,542	2,207,637

NOTE 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are:

	2016	2015
	\$	\$
Current assets		
London Stock Exchange listed equity securities *	152,711	186,924

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Movement for the year	2016 \$	2015 \$
Opening balance	186,924	793,744
Acquisition of financial assets	-	-
Foreign exchange gain / (loss)	(23,077)	77,357
Loss in market value of securities	(11,136)	(684,177)
Closing balance	<u>152,711</u>	<u>186,924</u>

*The securities consist of:

	No. of securities	Unit price as at 30 th June 2016
Duke Royalty Limited (Ordinary fully paid shares)	176,837	£0.48

NOTE 10 TRADE AND OTHER RECEIVABLES

	2016 \$	2015 \$
Current		
Prepayments / Deposits paid	135,158	128,919
Other receivables	80,174	82,345
	<u>215,332</u>	<u>211,265</u>

On 4 May 2016 a receivable of \$16,766 owing by Elstree Nominees was impaired by resolution of the Board of Directors. There were no impaired receivables for the financial year 30 June 2015.

There were no receivables past due but not impaired for the financial years ended 30th June 2016 and 30th June 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 CONTROLLED ENTITIES

	Country of Incorporation	Class of Share	Equity Holding	
			2016 %	2015 %
A-Cap Resources Botswana (Pty) Ltd	Botswana	Ordinary	100	100

The controlled entity holds 100% of the prospecting licences of the Consolidated Group's tenements in Botswana. The controlled entity's principal activities during the year were in line with the Company Strategy (please refer to the Directors' Report for further information).

NOTE 12 PARENT ENTITY INFORMATION

Information relating to the parent entity, A-Cap Resources Ltd	2016 \$	2015 \$
ASSETS		
Current assets	4,363,881	2,522,669
Total assets	44,304,563	41,227,174
LIABILITIES		
Current liabilities	477,410	453,239
Total liabilities	477,410	453,239
EQUITY		
Issued capital	66,760,129	62,818,707
Accumulated losses	(22,932,976)	(22,044,772)
Total shareholders' equity	43,827,153	40,773,935
Loss of the parent entity	(888,204)	(1,942,870)
Total comprehensive loss of the parent entity	(888,204)	(1,942,870)

A-Cap Resources Ltd holds as security the Consolidated Group's exploration assets in Botswana for financial support provided to the Subsidiary. The parent entity does not have any contingent liabilities or contractual commitments for the acquisition of property, plant or equipment (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 PLANT AND EQUIPMENT

Cost

	Motor Vehicles	IT hardware & software	Geophysical equipment	Other plant & equipment	Total
Balance as at 30 June 2014	718,882	400,370	305,419	142,237	1,566,908
Additions	-	8,857	-	1,117	9,974
Disposals	-	-	-	-	-
FX gains / losses	165,349	73,992	70,249	32,408	341,998
Balance as at 30 June 2015	884,231	483,219	375,668	175,762	1,918,880
Additions	-	7,754	-	2,762	10,516
Disposals	-	(1,635)	-	-	(1,635)
FX gains / losses	25,527	11,430	10,845	4,992	52,794
Balance as at 30 June 2016	909,758	500,768	386,513	183,516	1,980,555

Accumulated Depreciation

	Motor Vehicles	IT hardware & software	Geophysical equipment	Other plant & equipment	Total
Balance as at 30 June 2014	(578,496)	(363,306)	(198,780)	(85,618)	(1,226,200)
Disposals	-	-	-	-	-
Depreciation	(91,184)	(19,190)	(44,610)	(19,343)	(174,327)
FX gains / losses	(140,900)	(67,216)	(49,557)	(21,196)	(278,869)
Balance as at 30 June 2015	(810,580)	(449,712)	(292,947)	(126,157)	(1,679,396)
Disposals	-	409	-	-	409
Depreciation	(31,248)	(16,325)	(37,131)	(20,033)	(104,737)
FX gains / losses	(22,725)	(10,347)	(7,651)	(3,188)	(43,911)
Balance as at 30 June 2016	(864,553)	(475,975)	(337,729)	(149,378)	(1,827,635)
Carrying amount as at 30 June 2015	73,651	33,507	82,721	49,605	239,484
Carrying amount as at 30 June 2016	45,205	24,793	48,784	34,138	152,920

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 CAPITALISED EXPLORATION AND EVALUATION

	2016 \$	2015 \$
At cost	49,983,564	47,335,421
Movements in carrying values		
Balance at beginning of year	47,335,421	36,073,994
Expenditure during the year	2,066,675	5,512,532
Expenditure written-off during the year	-	(764,738)
Foreign currency translation	581,468	6,513,633
Balance at end of year	49,983,564	47,335,421

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of Uranium and Coal. Included in the expenditure during the year is depreciation of plant and equipment for the exploration activities amounting to \$83,239 (2015: \$152,298).

The foreign currency translation movement of \$581,468 reflects exchange differences between the Australian dollar and the US dollar during the financial year. The functional currency of the Consolidated Group's Controlled Entity, A-Cap Resources Botswana (Pty) Ltd is US dollars. Exchange rates fluctuate from time to time and there is no impact on shareholders as the Financial Statements have been prepared on a going concern basis, with the Parent Entity holding 100% control of the Controlled Entity.

NOTE 15 TRADE AND OTHER PAYABLES

	2016 \$	2015 \$
Current (unsecured liabilities)		
Trade and Sundry Payables	481,054	655,802
Provision for employee benefits *	291,702	318,379
	772,756	974,181

*** Amounts not expected to be settled within the next 12 months**

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated Group does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The employee leave benefit obligation not expected to be taken within the next 12 months is \$147,234 (2015: \$135,115)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 ISSUED CAPITAL

		2016 \$	2015 \$
736,086,143 (2015: 475,056,253) fully paid ordinary shares	(a)	66,662,928	61,702,559
5,710,000 (2015: 12,210,000) options	(b)	131,999	1,116,166
		66,794,927	62,818,725

(a) Ordinary Shares

2016		Number of Shares	Issue Price \$	\$
At the beginning of the reporting period		475,056,253		61,702,559
10 December 2015	Shares Issued to Directors & employees	7,013,749	2.1c	147,289
26 February 2016	Ordinary shares (entitlement offer)	3,379,404	2.0c	67,588
3 March 2016	Ordinary shares (underwriting)	246,650,203	2.0c	4,933,004
20 April 2016	Shares Issued to Directors & employees	3,986,534	1.5c	59,798
	Share issue costs			(247,310)
At the end of the reporting period		736,086,143		66,662,928

2015		Number of Shares	Issue Price \$	\$
At the beginning of the reporting period		368,209,268		57,554,845
31 October 2014	Shares Issued to Directors	4,502,857	5.1c	229,646
31 October 2014	Shares Issued to Employees	2,332,286	5.1c	118,946
28 April 2015	Ordinary shares	5,222,727	4.0c	208,909
28 May 2015	Ordinary shares	94,789,115	4.0c	3,791,565
	Share issue costs			(201,352)
At the end of the reporting period		475,056,253		61,702,559

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 16 ISSUED CAPITAL (CONTINUED)**

The Company's ordinary shares have no par value, and the Company does not have a limited amount of authorised capital.

(b) Options

Information relating to the employee share option plan is set out in Note 5: Share-based Payments.

(c) Capital Management

Management controls the capital of the Consolidated Group in order to maintain a good debt to equity ratio and ensure that the Consolidated Group can fund its operations and continue as a going concern.

The Consolidated Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Currently the Group's borrowing activity is limited to its trade & sundry payables and that it has no material commercial borrowings.

There are no externally imposed capital requirements.

Management effectively manages the Consolidated Group's capital by assessing the Consolidated Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Group since the prior year.

NOTE 17 RESERVES**Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled operations as described in Note 1(g).

Options Reserve

The options reserve records the value of unlisted options issued by the Company and unexercised options lapsed during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 18 CAPITAL AND LEASING COMMITMENTS**

	2016	2015
	\$	\$
Planned exploration expenditure		
- not later than 12 months	3,353,354	2,169,071
- between 12 months and 5 years	-	1,602,242
Lease commitments	7,915	-
	<u>3,361,269</u>	<u>3,771,313</u>

These estimated figures include amounts submitted to the Department of Geological Survey in Botswana in order to maintain the Group's current rights of tenure to exploration and mining tenements up until the expiry of the leases.

The Group anticipates future expenditure on its current rights of tenure to exploration and mining tenements up until the expiry of its current Prospecting Licences and on tenement renewals and extensions that have been applied for but not yet granted, which are included in the above table. In the event the Group does not meet the minimum exploration expenditure the licences may be cancelled or not renewed.

NOTE 19 CONTINGENT LIABILITIES

There are no outstanding contingent liabilities as at 30 June 2016 (2015: Nil).

NOTE 20 SEGMENT INFORMATION*Identification of reportable segments*

The Consolidated Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources.

The Consolidated Group only operates within one business segment being that of minerals exploration.

The Chief Operating Decision Makers review the Monthly Directors Report on at least a monthly basis. The accounting policies adopted for internal reporting to the Chief Operating Decision Makers are consistent with those adopted in the financial statements.

The reportable segment is represented by the primary statements forming this financial report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 21 CASH FLOW INFORMATION

	2016	2015
	\$	\$
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Operating Loss after income tax	(1,307,836)	(2,969,116)
Non –Cash flows in profit		
- Depreciation / impairment of assets	21,499	786,768
- Share-based remuneration	158,547	403,323
- Loss on investments held at fair value	34,213	606,820
- Reversal of withholding tax estimate	-	(213,622)
Changes in assets and liabilities net of the effects of purchase and disposal of subsidiaries		
- (Increase)/decrease in trade and other receivables	(4,067)	142,891
- Increase/(decrease) in trade and other payables	242,511	(220,860)
Net cash (outflow) from operating activities	(855,133)	(1,463,796)

	2016	2015
	\$	\$
Non-Cash Financing and Investing Activities		
Capitalised depreciation of plant & equipment for the year	83,239	152,298
Share-based remuneration	207,087	28,988
Interest on loan	-	14,093
	290,326	195,379

NOTE 22 EVENTS OCCURRING AFTER THE REPORTING PERIOD

- On 6 July 2016 A-Cap advised that the settlement of the convertible note was not approved by the State Administration of Foreign Exchange, Yancheng Branch, China which resulted in the convertible note agreement being terminated on 4 July 2016;
- On 12 July 2016 A-Cap announced that the board of directors had unanimously resolved to raise A\$4 million by way of a fully underwritten non-renounceable entitlement offer to shareholders of approximately 113,636,364 new ordinary shares on the basis of 1 new ordinary share in the Company for every 6.48 ordinary shares held on 2 August 2016, at an issue price of 3.5 cents per share;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 22 EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTINUED)**

- On 28 July 2016 A-Cap issued 1,718,456 to directors and consultants in lieu of fee reductions;
- On 12 August 2016 A-Cap issued 3,685,210 ordinary fully paid shares to consultants pursuant to director service agreements;
- On 25 August 2016 the non-renounceable entitlement offer to shareholders closed, with A-Cap receiving applications for 10,861,199 ordinary shares, raising \$380,142, and resulting in a shortfall of 102,775,165 ordinary shares. New shares were allotted on 31 August 2016;
- On 1 September 2016 102,977,480 ordinary shares were allotted to Jiangsu Chixiang Precision Gear Co. Ltd following settlement of \$3,604,212 for shortfall shares under the non-renounceable entitlement offer pursuant to an Underwriting Agreement;
- On 7 September 2016 3,409,091 ordinary shares were allotted to Jiangsu Chixiang Precision Gear Co., Ltd as settlement for the underwriting fee of \$119,318 for the non-renounceable entitlement offer. The shares were allotted pursuant to the prospectus dated 26 July 2016 and an underwriting agreement between A-Cap and Jiangsu Chixiang;
- On 8 September 2016 A-Cap received formal confirmation that the Botswana Department of Mines had granted a mining licence for the Letlhakane Uranium Project. The mining licence is effective from 12 September 2016 for 22 years;
- On 19 September 2016:
 - Mr Harry Stacpoole resigned as Independent Non-Executive Director of A-Cap;
 - Dr Paul Woolrich resigned as Executive Director of A-Cap;
 - Mr Jijing Niu was appointed as Non-Executive Director of A-Cap;
 - Mr Chenghu Zhu was appointed as Non-Executive Director of A-Cap.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the Consolidated Group, the results of these operations or the state of affairs of the Consolidated Group in subsequent years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 23 RELATED PARTY INFORMATION

Consolidated Group

2016 2015

\$ \$

Transactions with Key Management Personnel

Geological and metallurgical consulting fees paid to Woolrich & Associates, a company in which Dr Paul Woolrich is a Director and shareholder.	73,136	169,200
Consulting fees paid to Raba-Rax Solutions, a company in which Mr Paul Thomson is a Director. Raba-Rax also provides consulting on health & radiation safety to A-Cap.	475,502	468,997
Consulting fees paid to Fabian Entertainment Pty Ltd, a company in which Mr Paul Ingram is a Director.	103,949	-
Consulting fees paid to Catus Pty Ltd, a company in which Mr John Fisher-Stamp is a Director.	90,518	-
Consulting fees paid to V&D Investments, a company in which Mr Michael Liu is a Director.	16,883	-
Underwriting fee paid to Ansheng Investment Co, Ltd, a company in which Mr Shen is the Chairman of.	-	174,112
Consulting fees paid to Robert Pett for business development services.	-	25,000
	759,988	837,309

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following amounts were due to key management personnel as at the reporting date:

Woolrich & Associates	\$4,737
Fabian Entertainment Pty Ltd	\$102,366
Catus Pty Ltd	\$88,934
Michael Liu	\$69,343
V&D Investments	\$16,900

Payments made to Raba-Rax Solutions include remuneration paid to Paul Thomson under his service agreement with A-Cap. Amounts due to Fabian Entertainment Pty Ltd, Catus Pty Ltd, Michael Liu and V&D Investments are to be settled in shares in the Company, pursuant to terms of respective service agreements and subject to shareholder approval.

Ownership Interests in Related Parties

Interests held in the following classes of related parties are set out in the following notes:

- (a) Controlled Entities Note 11

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 24 FINANCIAL RISK MANAGEMENT****(A) Financial Risk Management Policies**

The Consolidated Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to subsidiaries.

(i) Treasury Risk Management

The Board of Directors meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

(ii) Financial Risk Exposures and Management

The main risks the Consolidated Group is exposed to through its financial instruments are foreign currency risk, liquidity risk and price risk.

Foreign Currency Risk

The Consolidated Group is exposed to foreign currency risk arising from equity investments, specifically A-Cap's investment in Duke Royalty, a London Stock Exchange listed company. This investment is subject to fluctuations in exchange rates between the Australian dollar and the pound sterling. Relevant consensus currency rate forecasts are continuously reviewed and analysed by management, and appropriate measures are put in place where necessary to protect the Group's cash from significant fluctuations in foreign currency exchange rates.

Liquidity Risk

Liquidity risk arises from the possibility that the Consolidated Group might encounter difficulty in settling its debts or otherwise meeting its non-cancellable obligations related to financial liabilities and leases. The Consolidated Group manages liquidity risk by:

- Preparing forward-looking cash flow analyses in relation to its exploration & evaluation, investing and financing activities,
- Obtaining funding from capital markets rather than debt,
- Maintaining credit risk related to financial assets,
- Only investing surplus cash with major financial institutions,
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets, and
- Cash flows realised from financial assets reflect management's expectation as to the timing of realisation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 24 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) Financial Risk Management Policies (continued)

Price Risk

The Consolidated Group is exposed to equity price risk arising from equity investments, specifically A-Cap's investment in Duke Royalty, a London Stock Exchange listed company. These shares and options are marketable securities held for the purpose of trading on the open market to gain access to cash when needed. This investment is subject to movements in the market value of Duke's shares and options. Management will assess the industry and market data and forecasts to ensure that the market price for our equity investment represents best value to the Consolidated Group before making any decision to sell the investment for cash.

(B) Financial liability and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

	Within 1 Year		Total	
	2016	2015	2016	2015
Consolidated Group	\$	\$	\$	\$
Financial liabilities due for payment				
Trade and other payables	772,756	805,299	772,756	805,299
Amounts payable to related parties	283,746	168,882	283,746	168,882
Total contractual outflows	1,056,502	974,181	1,056,502	974,181
Financial assets – cash flows realisable				
Trade and other receivables	85,685	147,377	85,685	147,377
Total anticipated inflows	85,685	147,377	85,685	147,377
Net inflow on financial instruments	(970,817)	(826,804)	(970,817)	(826,804)

* Note that planned expenditures on tenements are excluded. For further detail refer to note 18.

(C) Net Fair Values

With the exception of financial assets at fair value through the profit & loss, the net fair values of financial assets and liabilities approximate their carrying value due to its short-term nature.

The fair values of the financial assets traded on active liquid markets are determined with reference to quoted market prices (level 1 of the Fair Value hierarchy based on the definition in AASB 13).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 24 FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) Sensitivity Analysis

The following table illustrates sensitivities to the Consolidated Group's exposures to changes in the value of securities and exchange rates. The table indicates the impact on how profit and asset values reported as at the end of the reporting period would have been affected by changes in relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group 2016	
	Profit	Liabilities
	\$	\$
Increase in AUD to GBP by 10%	15,271	-
Decrease in AUD to GBP by 10%	(13,883)	-

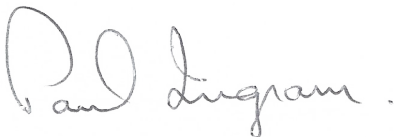
DIRECTORS' DECLARATION

The Directors declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- (b) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements
- (c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and the *Corporations Regulations 2001*, giving a true and fair view of the financial position and performance of the Consolidated Group, and
- (d) The Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Board of Directors



Paul Ingram

Deputy Chairman

Dated this 27th day of September 2016

Perth, Western Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A-CAP RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report of A-Cap Resources Limited (the Company) comprising and the Company and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

CHARTERED ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

PO Box 185
Toorak VIC 3142

Telephone: +61 3 9824 8555
williambuck.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A-CAP RESOURCES LIMITED AND ITS CONTROLLED ENTITIES (CONT)

Auditor's Opinion

In our opinion:

- a) the financial report of A-Cap Resources Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

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

Auditor's Opinion

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

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A handwritten signature in blue ink that reads 'J. C. Luckins'.

J. C. Luckins
Director

Dated this 27th day of September, 2016

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 16 September 2016.

(A) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Ordinary Shares	Unlisted Options
1 – 1,000	204	-
1,001 – 5,000	515	-
5,001 – 10,000	323	1
10,001 – 100,000	928	8
100,001 and over	261	4
	2,231	13

There were 835 holders of less than a marketable parcel of ordinary shares.

(B) EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities are listed below:

	Number Held	Percentage of Issued Shares
JIANGSU CHIXIANG PRECISION GEAR CO LTD	357,786,934	41.67%
ANSHENG INVESTMENT CO LTD	123,124,130	14.34%
ABN AMRO CLEARING SYDNEY	90,385,536	10.53%
CHINA GROWTH MINERALS LIMITED	49,366,930	5.75%
VERMAR PTY LTD	24,524,490	2.86%
CITICORP NOMINEES PTY LIMITED	18,678,870	2.18%
HSBC CUSTODY NOMINEES	10,070,538	1.17%
HSBC CUSTODY NOMINEES A/C 3	9,570,000	1.11%
MR MARK ANTHONY O’SULLIVAN & MRS JAIME JANE O’SULLIVAN	5,993,270	0.70%
TRAYBURN PTY LTD	4,514,803	0.53%
MR RICHARD ARTHUR LOCKWOOD	4,500,000	0.52%
MS XUPING SONG	4,257,019	0.50%
MR MARK ANTHONY O’SULLIVAN	4,234,441	0.49%
BERNE NO 132 NOMINEES PTY LTD	3,926,667	0.46%
MR HENRY JAMES STACPOOLE	2,897,527	0.34%
METHUSELAH CAPITAL MANAGEMENT	2,879,522	0.34%
MR STEPHEN JOHN KINMOND	2,827,050	0.33%
J P MORGAN NOMINEES AUSTRALIA	2,781,756	0.32%
WOOLRICH & ASSOCIATES PTY LTD	2,654,882	0.31%
FABIAN ENTERTAINMENT PTY LTD	2,250,075	0.26%
	727,224,440	84.71%

SHAREHOLDER INFORMATION (CONTINUED)

(C) SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company are:

	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Jiangsu Chixiang Precision Gear Co Ltd	357,786,934	41.67%
China Growth Minerals Ltd	123,124,130	20.09%

(D) VOTING RIGHTS

The voting rights attaching to each class of equity security are set out below:

Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

A-Cap Resources Limited and Its Controlled Entities

Principal Place of Business:	Level 15, AMP Building 140 St Georges Terrace Perth WA 6000														
Registered Office:	Level 38/123 Eagle St Brisbane QLD 4000														
Contact Details:	Telephone (08) 9278 2614 Facsimile (08) 9278 2617 Email: info@a-cap.com.au Website: www.a-cap.com.au														
Directors:	<table> <tr> <td>Angang Shen</td> <td>(Chairman)</td> </tr> <tr> <td>Paul Anthony Ingram</td> <td>(Deputy Chairman, Non-Executive Director)</td> </tr> <tr> <td>Paul Thomson</td> <td>(Managing Director)</td> </tr> <tr> <td>John Fisher-Stamp</td> <td>(Non-Executive Director)</td> </tr> <tr> <td>Michael Liu</td> <td>(Non-Executive Director)</td> </tr> <tr> <td>Jijing Niu</td> <td>(Non-Executive Director)</td> </tr> <tr> <td>Chenghu Zhu</td> <td>(Non-Executive Director)</td> </tr> </table>	Angang Shen	(Chairman)	Paul Anthony Ingram	(Deputy Chairman, Non-Executive Director)	Paul Thomson	(Managing Director)	John Fisher-Stamp	(Non-Executive Director)	Michael Liu	(Non-Executive Director)	Jijing Niu	(Non-Executive Director)	Chenghu Zhu	(Non-Executive Director)
Angang Shen	(Chairman)														
Paul Anthony Ingram	(Deputy Chairman, Non-Executive Director)														
Paul Thomson	(Managing Director)														
John Fisher-Stamp	(Non-Executive Director)														
Michael Liu	(Non-Executive Director)														
Jijing Niu	(Non-Executive Director)														
Chenghu Zhu	(Non-Executive Director)														
Chief Executive Officer:	Paul Thomson														
Company Secretary:	Nicholas Yeak														
Share Registry:	Advanced Share Registry Services Limited 150 Stirling Highway Nedlands WA 6009 Telephone (08) 9389 8033 Facsimile (08) 9389 7871														
Bankers:	Westpac Banking Corporation 109 St Georges Terrace Perth WA 6000														
Auditors:	William Buck Level 20, 181 William St Melbourne VIC 3000														
Solicitors:	Ashurst Level 38/123 Eagle St Brisbane QLD 4000														
Stock Exchange:	A-Cap Resources is listed on the Australian Securities Exchange (ASX code: ACB) and the Botswana Stock Exchange (BSE code: A-CAP).														