
CLASSIC MINERALS LIMITED

ABN 77 119 484 016

**NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY
STATEMENT**

TIME: 10.00a.m WST

DATE: Wednesday 30th November 2016

**PLACE: Hyatt Regency Perth,
Lower Level, 99 Adelaide Terrace,
PERTH WA 6000**

This Notice of Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 6305 0221.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Classic Minerals Limited which this Notice of Meeting relates to will be held at 10.00am WST on Wednesday 30 November 2016 at:

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|---|
| <p>Hyatt Regency. Lower Level, 99 Adelaide Terrace PERTH WA 6000</p> |
|---|

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) send the proxy form by post to Classic Minerals Limited, PO Box 487, Osborne Park WA 6917; or
- (b) send the proxy form by facsimile to Advanced Share Registry on facsimile number (08) 9389 7871, or
- (c) send the proxy form by post to Advanced Share Registry Limited, PO Box 1159, Nedlands, Western Australia, 6009.

so that it is received not later than 10.00am WST on Monday 28 November 2016.

Proxy forms received later than this time will be invalid.

In accordance with section 249L of the Corporations Act, members are advised that:

- Each member has a right to appoint a proxy;
- The proxy need not be a member of the company; and
- A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes.

NOTICE OF ANNUAL GENERAL MEETING

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all 'directed' proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Classic Minerals Limited will be held at the Hyatt Regency Perth, Lower Level, 99 Adelaide Terrace at 10.00am WST on Wednesday 30 November 2016.

The Explanatory Statement annexed to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at the close of business on Monday 28 November 2016.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Reports and Accounts

To receive the financial report of the Company for the year ended 30 June 2016, together with the Directors' report, the Remuneration Report and the auditor's report.

Ordinary Resolution 1 – Adoption of Remuneration Report (Non-binding)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **advisory only resolution**:

“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2016.”

Short Explanation: The Corporations Act provides that a resolution that the remuneration report be adopted must be put to a vote at a listed company's annual general meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

Ordinary Resolution 2 – Re-election of Mr Kent Hunter

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 14.4, section 11.3 of the Constitution and for all other purposes, Kent Hunter, being a director, retires by rotation and being eligible, is hereby re-elected as a director.”

NOTICE OF ANNUAL GENERAL MEETING

Ordinary Resolution 3 – Election of Mr Lu Ning Yi

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 14.4, section 11.3 of the Constitution and for all other purposes that Mr. Lu Ning Yi, who has been appointed by the directors since the last Annual General Meeting, retires as a director and being eligible, is seeking to be elected as a director.”

Ordinary Resolution 4 – Ratification of Prior Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the shareholders ratify the issue of 1,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue and any person who might gain a benefit, other than a benefit solely in the capacity of an ordinary security holder, from the passing of Resolution 4 and any associates of those persons.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Ordinary Resolution 5 – Ratification of Prior Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the shareholders ratify the issue of 1,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by any person who participated in the issue and any person who might gain a benefit, other than a benefit solely in the capacity of an ordinary security holder, from the passing of Resolution 5 and any associates of those persons.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Ordinary Resolution 6 – Ratification of Prior Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the shareholders ratify the issue of 6,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 6 by any person who participated in the issue and any person who might gain a benefit, other than a benefit solely in the capacity of an ordinary security holder, from the passing of Resolution 6 and any associates of those persons.

NOTICE OF ANNUAL GENERAL MEETING

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Ordinary Resolution 7 - Approval for the Future Placement of up to 100,000,000 Shares

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval and authorisation is given to the Directors to issue up to 100,000,000 Shares at an issue price that is at least 80% of the average market price of the Shares calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is made, and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 7 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 7 is passed and any associate of those persons.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED: 1st November 2016

BY ORDER OF THE BOARD



**JUSTIN DOUTCH
MANAGING DIRECTOR
CLASSIC MINERALS LIMITED**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting of Classic Minerals Limited to be held at the Hyatt Regency Perth, Lower Level, 99 Adelaide Terrace at 10.00am WST on Monday, 30 November 2016.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting (of which this Explanatory Statement forms a part).

FINANCIAL STATEMENTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. Ordinary Resolution 1 – Adoption of Remuneration Report (non-binding resolution)

In accordance with Section 250R(2) of the Corporations Act, the Company must put a resolution to Shareholders that the remuneration report be adopted at the Annual General Meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against the adoption of the Remuneration Report at the Annual General Meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's 2016 Annual General Meeting. All of the Directors who were in office when the Company's 2016 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2016.

At the Company's Annual General Meeting in 2015, it received a second-strike against its remuneration report. This triggered a "spill" resolution which was defeated on a poll.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

2. Ordinary Resolution 2 – Re- election of Mr Kent Hunter

Mr Kent Hunter retires by rotation at this meeting and, being eligible, offers himself for re-election and seeks re-election in accordance with ASX Listing Rule 14.4. Details regarding Kent Hunter are set out in the Company's 2016 Annual Report. The Directors, other than Kent Hunter recommend that shareholder vote in favour of resolution 2.

3. Ordinary Resolution 3 – Election of Mr Lu Ning Yi

Mr Lu Ning Yi who was appointed by the directors of the Company since the last Annual General Meeting, retires as a director and being eligible offers himself for election.

Mr Lu has extensive business connections in the greater China region and the Directors, other than Mr. Lu Ning Yi recommend that shareholder vote in favour of resolution 3.

4. Ordinary Resolutions 4 through 6 - Ratification of PRIOR Issues of Shares

4.1.1 Background

On 29 June 2016, the Company issued 1,000,000 Shares without prior Shareholder Approval out of its 15% annual placement capacity to Steven Ogg at an issue price of \$0.005.

On 4 August 2016, the Company issued 1,000,000 Shares without prior Shareholder Approval out of its 15% annual placement capacity to John Lester Management Pty Ltd at an issue price of \$0.007 per Share.

On 30 September 2016, the Company issued 6,000,000 shares without shareholder approval out of its 15% annual placement capacity to Stock Assist Group Pty Ltd at the issue price of \$0.006 per share.

4.2 Corporations Act

None of the allottees the subject of Resolutions 4 through 6, in conjunction with any of their associates, hold, either before, during, or after any of the issues the subject of Resolutions 4 through 6, more than 19.9% of the issued capital of the Company.

4.3 Listing Rule 7.4

Resolutions 4 through 6 seek Shareholder ratification of these issues of Shares pursuant to ASX Listing Rule 7.4 and for all other purposes.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where, pursuant to ASX Listing Rule 7.4, a company in general meeting ratifies the previous issue of securities made (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

By ratifying the issue of the Shares the subject of Resolutions 4 through 6 the Company will retain the flexibility to issue equity securities in the future of up to the 15% annual placement capacity set out in ASX Listing Rule 7.1.

Unless otherwise stated, none of the Directors have a material personal interest in the subject matter of Resolutions 4 through 6. The Board believes that the ratification of the issues of the Shares is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolutions 4 through 6 as it provides the Company with the flexibility to issue, subject to the limits under the ASX Listing Rules, further securities during the next 12 months without Shareholder approval.

EXPLANATORY STATEMENT

4.4 Technical information required by Listing Rule 7.4 for the Share Issues Ratifications

PURSUANT TO AND IN ACCORDANCE WITH ASX LISTING RULE 7.5, THE FOLLOWING INFORMATION IS PROVIDED IN RELATION TO THE SHARE ISSUES RATIFICATIONS 4 THROUGH 6:

| Resolution | Number of Shares Issued | Issue Price and date issued | Allottee | Funds raised / issue in lieu of creditor payment | Purpose of the Issue |
|------------|-------------------------|-----------------------------|--------------------------------|--|------------------------------------|
| 4 | <u>1,000,000</u> | \$0.005 29/6/2016 | Steven Ogg | <u>\$5,000</u> | Issued in lieu of creditor payment |
| 5 | <u>1,000,000</u> | \$0.007 4/08/2016 | John Lester Management Pty Ltd | <u>\$7,000</u> | Issued in lieu of creditor payment |
| 6 | <u>6,000,000</u> | \$0.006 30/09/2016 | Stock Assist Group Pty Ltd | <u>\$36,000</u> | Issued in lieu of creditor payment |

The Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

Voting Exclusion Statement

A voting exclusion statement is included in the Notice in respect of each Resolution 4 through 6.

5. RESOLUTION 7 – APPROVAL FOR THE FUTURE PLACEMENTS OF UP TO 100,000,000 SHARES**5.1 Background**

The Company is proposing to undertake placements, through the issue of up to 100,000,000 Shares (Placements). These placements will be made to professional and sophisticated investors or to other persons to whom disclosure is not required under Chapter 6D of the Corporations Act.

The Shares the subject of these proposed placements represent approximately 29.8% of the Company's current issued share capital of 334,967,635 Shares (assuming that no other Shares are issued prior to the Meeting).

5.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in section 4.3 above.

5.3 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of securities to be issued pursuant to this Resolution 7 is 100,000,000 Shares;
- (b) the Shares the subject of Resolution 7 will be issued no later than three (3) months after the date of this Meeting;
- (c) the Shares will be issued at a price that is at least 80% of the average market price of Shares calculated over the last 5 days on which sales in the Shares were recorded before the date on which any issue is made;
- (d) the Shares will be issued to professional and sophisticated investors or to other persons to whom disclosure is not required under Chapter 6D of the Corporations Act. The Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Shares will be issued progressively as subscribers are identified, however no Shares will be issued after the date which is three (3) months after the date of the Meeting; and
- (g) the Company intends to use the funds raised by these Placements for the continued exploration and acquisition of assets, including the Fraser Range Project. Any surplus funds will be used for general working capital purposes, review and analysis of new projects.

EXPLANATORY STATEMENT

5.4 Directors' recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 7. The Board recommends Shareholders vote in favour of Resolution 7 as it will provide additional working capital to the Company and means that the Shares the subject of this Resolution will not need to be counted as part of the Company's 15% placement capacity, giving the Company the flexibility to issue further securities representing up to 15% of the Company's share capital without Shareholder approval.

5.5 Voting Exclusion Statement

A voting exclusion statement is included in the Notice.

GLOSSARY

2016 Annual Report means the Company's annual report including the reports of the Directors and auditor and the financial statements of the Company for the year ended 30 June 2016, which can be downloaded from the Company's website at www.classicminerals.com.au

ASX means ASX Limited (ACN 008 724 791).

Annual General Meeting means the Annual General Meeting of the Company to be held on Wednesday 30 November 2016.

ASX Listing Rules or **Listing Rules** means the Listing Rules Adoption of the ASX and any other rules of the ASX which are applicable while the entity is admitted to the Official List of the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Board means the Board of Directors.

Chair or **Chairman** means the person appointed to chair the Meeting convened by this Notice.

Company or **Classic Minerals** means Classic Minerals Limited (ABN 77 119 484 016).

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

Meeting has the meaning in the introductory paragraph of the Notice.

New Share means new Shares to be issued upon conversion of the Convertible Notes.

Notice means the Notice of the Annual General Meeting attached to this Explanatory Statement.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means that section of the Directors' Report under the heading "Remuneration Report" set out in the 2016 Annual Report.

Resolution means a resolution contained in the Notice.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a shareholder of the Company.

Spill Resolution has the meaning given in Section 1.

WST means Western Standard Time

PROXY FORM

**APPOINTMENT OF PROXY
CLASSIC MINERALS LIMITED
ACN 119 484 016**

ANNUAL GENERAL MEETING

I/We
of

being a member of Classic Minerals Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at the Hyatt Regency Perth, 99 Adelaide Terrace Perth WA 6000 at 10.00am WST on Wednesday 30 November 2016, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of both resolutions in which the Chair is entitled to vote.

Voting on Business of the General Meeting

| | FOR | AGAINST | ABSTAIN |
|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 Re-election of Director – Kent Hunter | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 Election of Director – Lu Ning Yi | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 Ratification of Prior Issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 Ratification of Prior Issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 Ratification of Prior Issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7 Approval for Future Placement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is..... %.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

Signature of Member(s): _____ **Date:** _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

E-mail Address: _____ **Consent for contact by e-mail YES NO**

CLASSIC MINERALS LIMITED
ABN 77 119 484 016

Instructions for Completing 'Appointment of Proxy' Form

1. A shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - Directors of the company;
 - a Director and a company secretary of the company; or
 - for a proprietary company that has a sole Director who is also the sole company secretary – that Director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole Director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed and either:
 - (a) send the proxy form by post to Advanced Share Registry Limited, PO Box 1159, Nedlands, Western Australia 6009; or
 - (b) send the proxy form by post to Classic Minerals Limited, PO Box 487, Osborne Park, Western Australia 6917; or
 - (c) send the proxy form by facsimile to Advanced Share Registry on number (08) 9389 7871.

so that it is received not later than 10.00am WST on Monday 28 November 2016.

Proxy forms received later than this time will be invalid.

CLASSIC MINERALS LIMITED

ACN: 119 484 016

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016**

CLASSIC MINERALS LIMITED

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CLASSIC MINERALS LIMITED

CORPORATE DIRECTORY

DIRECTORS

Justin Douch
Kent Hunter
Lu Ning Yi

COMPANY SECRETARY

Jeffrey Nurse

A.B.N.

77 119 484 016

PRINCIPAL OFFICE

71 Furniss Road
Landsdale, WA, 6065

REGISTERED OFFICE

71 Furniss Road,
Landsdale, WA, 6065

AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St George's Terrace,
PERTH WA 6000

CLASSIC MINERALS LIMITED

DIRECTORS' REPORT

The directors of Classic Minerals Limited submit herewith the financial report for the financial year ended 30 June 2016.

Directors

The names of directors in office at any time during or since the end of the financial year are:

Justin Douch
Kent Hunter
Stan Procak (resigned 30 November 2015)
Lu Ning Yi (appointed 30 November 2015)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The name of secretary in office at any time during or since the end of the financial year is:

Jeffrey Nurse

Mr Jeffrey Nurse CA, MBA, ACIS is a Chartered Accountant. He holds a Masters Degree in Business Administration from the University of Western Australia and is an Associate of the Governance Institute of Australia.

Current Directors' qualifications and experience

Justin Douch (Executive Director)

Age: 34 years old

Qualifications and Experience

Mr Douch has served in the resource industry in Western Australia for the past 12 years, where he has gained extensive experience in the areas of drilling, mineral exploration and project financing. More recently Mr Douch has been serving as a Non-Executive Director of Ironstone Resources Ltd, actively involved in the exploration and acquisition of a diverse range of tenements in Western Australia. Justin's experience in exploration and the development of processes to expediently access and explore Classic's tenements is invaluable as is its alignment to the process of marketing its value to investors and end-users alike.

Shareholdings

5,748,337 ordinary shares

CLASSIC MINERALS LIMITED

DIRECTORS' REPORT

Kent Hunter (Non-Executive Director)

Age: 49 years old

Qualifications and Experience

B.Bus CA

Mr Hunter is a Chartered Accountant with over 17 years in corporate and company secretarial services, capital raisings, ASX Compliance and regulatory requirements and involvement in listing over 20 Companies. Mr Hunter founded Mining Corporate in 2000 which identified industrial, technology and exploration companies requiring a route to ASX Listing. Mr Hunter is a director of Cazaly Resources.

Shareholdings

1,300,002 ordinary shares (held directly).

Lu Ning Yi (Non-Executive Director)

Age: 62 years old (appointed 30 November 2015)

Qualifications and Experience

Mr Lu Ning Yi had a long career as an experienced and respected financial journalist with China's Jiangsu Economic newspaper. His position placed him in direct contact with many of China's top business executives. Since coming to Australia, Mr Lu has maintained and expanded his extensive Chinese and Australian business relationships. Mr Lu is a director of Chi Masters International Pty Ltd and is also a Non-Executive director of the Heritage Golf and Country Club in Victoria.

Shareholdings

Nil

Stan Procak (Non-Executive Director)

Age: 73 years old (retired 30 November 2015)

Qualifications and Experience

Mr Procak is an experienced manager with over 35 years of mining industry experience in Western Australia. His specific area of experience comprises the coordinating of the complete set-up for mining projects from grass roots including staffing, operating budgets, financial management, mining techniques and methods and staff motivation to attain significant project milestones including throughput and grades. Immediately prior to joining Classic, Mr Procak was project manager at Golden West Resources Limited and prior to that General Manager Operations with Mawson West Limited. Mr. Procak's experience includes employment in senior positions at Telfer Gold Mine, Big Bell Gold Mine, Golden Grove Polymetallic Mine and Kambalda Nickel Operations.

Shareholdings

1,712,502 ordinary shares

CLASSIC MINERALS LIMITED

Meetings of directors

During this financial year, the Directors met regularly to discuss the affairs of the Company.

The number of Directors' meetings (including committees) held during the financial period, each Director held office during the financial year, and the number of meetings attended by each director were as follows:

| Director | Board of Directors | |
|--------------|-----------------------|------------------------------|
| | Meetings. Attended | Number Eligible to Attend |
| Justin Douth | 3 | 3 |
| Kent Hunter | 0 | 3 |
| Lu Ning Yi | 3 | 3 |
| Stan Procak | 0 | 0* |

*: Mr Procak retired in November 2015 and was not eligible to attend any of the Directors' meeting this year.

Principal activities

The principal activity of Classic Minerals Limited during the financial year was the exploration of mineral resource based projects, focussing on nickel, copper and gold metals.

Operating results

The loss of the Company for the year ended 30 June 2016 amounted to \$2,334,407 (2015: loss of \$5,910,190).

Dividends

No dividends were paid or declared for payment since the incorporation of the Company.

Review of operations

A comprehensive description of the Company's exploration and research and development activities appears in other sections of this Annual Report.

Doherty's

On 24 March 2016, the Company entered into an agreement for the sale of its mining interest in its Doherty's gold project to Accelerated Mining Pty Ltd for \$4m (GST Exclusive).

Fraser Range (E28/1904)

Merlin Geophysical Solutions Pty Ltd and Newexco Services Pty Ltd were appointed by Classic to carry out a Ground EM (Electro Magnetic) Survey over the Fraser Range tenement. The first part of the survey was focused on the southern part of the tenement and the second part of the survey was focused on the northern half of the tenement. The second half of the survey was completed in January 2016. The survey was undertaken to generate new conductive targets and to re-examine the exact location and modelling of existing conductive targets.

Rock Chip and geochemical sampling was carried out at Fraser range focussing primarily on lithium and graphite. In June 2016, 30 rock-chip samples were taken at Fraser Range and analytical test work is now being processed

Skirmish Hill (E69/3337)

Classic's application for this tenement was approved in the last quarter of this financial year. This tenement is highly prospective for copper. The tenement is located 35 kilometres south east of the Aboriginal town of Blackstone in the West Musgrave aboriginal reserve area.

CLASSIC MINERALS LIMITED

Cowarna Rocks (E28/2238i)

A field trip was undertaken to re-establish the datum and the corner pegs at the lease's boundaries.

Share Dam (E25/529)

Share Dam is considered to be highly prospective for gold and the Company will be targeting Share Dam in its future exploration program.

Significant changes in state of affairs

In September 2015, the company issued 5,000,000 shares to several investors; these shares were issued at \$0.004 per share and raised \$20,000.

There were no other significant changes in the state of affairs of the Company during the year ended 30 June 2016.

After reporting date events

Subsequent to balance date, in relation to the Company's sale of the Doherty's gold project (M57/619) for \$4million (GST Inclusive), the Company received amounts \$550,000 in July and August 2016 of the amounts receivable.

On 29 September, the Company has entered into a Standby Subscription Agreement with Stock Assist Group Pty Ltd. Under this agreement, the Company has a facility to raise \$1,000,000 by issuing shares at 80% of 5 day VWAP. Under this facility there is an establishment fee of 6,000,000 shares to be issued.

There are no other matters or circumstances that have arisen since 30 June 2016 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

Future developments

The Company will continue to explore its exploration areas and look to establish its exploration interest in prospective fields.

Environmental regulation

The Company is aware of its environmental obligations and acts to ensure its environmental commitments are met. The directors are not aware of any significant breaches during the year.

DIRECTORS' REPORT

Options Premium Reserve

The Option Premium reserve had a balance of \$Nil as at 30 June 2016 (2015: \$Nil).

Non-Audit Services

No non-audit services were provided in this financial year.

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received, forms part of the Director's Report, and can be found on page 15.

Indemnification of Officers

In accordance with the Company's constitution, except as may be prohibited by the Corporations Act 2001, every Officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the financial year, the Company has paid insurance premiums in respect of directors' and officers' liability insurance. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

During the financial year, the Company paid premiums for Directors and Officers liability insurance of \$10,643 (2015: \$14,190).

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. The Company has not a party to any such proceedings during the year.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and executives of Classic Minerals Limited in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director.

The remuneration report is set out in the Table.

Principles used to determine the nature and amount of remuneration

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate directors.

Due to the current size of the Company and number of directors, the Board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted.

The remuneration policy, setting the terms and conditions for the executive directors and other executives, was developed by the board. 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 the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

(a) Details of key management personnel ("KMP")

(i) Directors

Justin Doutch

Kent Hunter

Stanislaw Procak

(retired on 30 November 2015)

Lu Ning Yi

(appointed 30 November 2015)

(ii) Senior Executives

Jacob Doutch

James Passaris

Jeffrey Nurse

CLASSIC MINERALS LIMITED

Details of Remuneration for Year Ended 30 June 2016 and 30 June 2015

The remuneration for each key management personnel of the Company during the year was as follows:

| | SHORT-TERM BENEFITS | | | POST EMPLOYMENT | | SHARE-BASED PAYMENT | | TOTAL | REPRESENTED BY EQUITY/OPTIONS % |
|--|---------------------|-------|--------------|-----------------|---------------------|---------------------|---------|---------|------------------------------------|
| | Salary | Other | Non-Monetary | Superannuation | Retirement Benefits | Equity | Options | \$ | |
| Directors | | | | | | | | | |
| Kent Hunter | | | | | | | | | |
| 2016 | 60,000 | - | - | - | - | - | - | 60,000 | - |
| 2015 | 60,000 | - | - | - | - | - | - | 60,000 | - |
| Lu Ning Yi (appointed on 30 November 2015) | | | | | | | | | |
| 2016 | 29,167 | - | - | - | - | - | - | 29,167 | - |
| 2015 | - | - | - | - | - | - | - | - | - |
| Stan Procak (retired on 30 November 2015) | | | | | | | | | |
| 2016 | 20,833 | - | - | 1,979 | - | - | - | 22,812 | - |
| 2015 | 50,000 | - | - | 4,625 | - | - | - | 54,625 | - |
| Justin Douch | | | | | | | | | |
| 2016 | 250,000(i) | - | 21,330 | 23,750 | - | - | - | 295,080 | - |
| 2015 | 250,000 | 5,400 | 21,330 | 23,750 | - | - | - | 300,480 | - |
| Jacob Douch (ii) | | | | | | | | | |
| 2016 | 195,000(i) | - | - | 18,525 | - | - | - | 213,525 | - |
| 2015 | 175,000(ii) | - | - | 18,525 | - | 20,000 | - | 213,525 | 9.3% |
| James Passaris | | | | | | | | | |
| 2016 | 83,237 | - | - | - | - | - | - | 83,237 | - |
| 2015 | 227,854 | - | - | - | - | - | - | 227,854 | - |
| Jeffrey Nurse | | | | | | | | | |
| 2016 | 110,000 | - | - | 10,450 | - | - | - | 120,450 | - |
| 2015 | 110,890 | - | - | 10,439 | - | - | - | 121,329 | - |
| Total Remuneration Key Management Personnel | | | | | | | | | |
| 2016 | 748,237 | - | 21,330 | 54,704 | - | - | - | 824,271 | - |
| 2015 | 873,744 | 5,400 | 21,330 | 57,339 | - | 20,000 | - | 977,813 | 2.04% |

- i) Justin Douch and Jacob Douch agreed to defer the payment of salaries until such time as the Company could pay them. The amount as at 30 June 2016 owing to Justin Douch was \$81,037 and owing to Jacob Douch was \$149,304. Please refer to Note 15.
- ii) In 2015, Mr Jacob Douch received 2,000,000 shares (amounting to \$20,000) in lieu of salary payable.

DIRECTORS' REPORT

Employment Details of Members of Key Management Personnel

The Company has a services agreement with Mr. Justin Douch to provide services in his capacity as Managing Director. There is no fixed term to this Agreement.

Under this Agreement there are standard termination provisions and the Company can give notice of termination, or alternatively, payment in lieu of services. Following the Company's Initial Public Offering ("IPO"), Mr. Douch's salary was increased to \$250,000 plus statutory superannuation. This increase was approved at a Director's Meeting by the Board. During the 2015/16 year, Mr Douch agreed to defer salary payments until such time as the Company could make salary payments. Upon termination of this agreement or after a period of 5 years, the motor vehicle leased by the Company will be transferred to Mr. Douch at nil consideration at which point all running costs will be at the expense of Mr. Douch. Mr. Douch is also to be reimbursed for reasonable expenses incurred in carrying out his duties.

Non-Executive Director Letter Agreements

The Company has non-executive director letter agreements with Mr. Kent Hunter, and Mr. Lu Ning Yi, these letter agreements outline the terms and conditions on which the Non-Executive Directors would carry out their duties to the Company. Mr. Hunter and Mr. Lu are entitled to an annual remuneration of \$60,000 with no superannuation and \$50,000 respectively. Both Mr Hunter and Mr Lu are reimbursed for reasonable expenses incurred in carrying out their duties. Mr Lu became a Non-Executive Director on 30 November 2015 and replaced Mr Procak who retired on 30 November 2015.

Executive Agreements

The Company has an employment contract with Jacob Douch as Tenement Manager, Jacob Douch's salary has been increased to \$195,000 plus superannuation.

In the event that Mr Jacob Douch's employment is terminated after one year of service, he will be entitled to receive an additional week's notice and any annual leave and long service leave entitlements will be paid. In 2014/15, financial year, Mr Douch agreed to defer payments of his salary until the Company could afford to make such payments.

The Company has an employment contract with Jeffrey Nurse as the Company's Chief Financial Officer and Company Secretary. Mr. Nurse's salary is \$110,000 plus superannuation.

Consultancy Agreement

The company has entered into a consultancy agreement with Aneles Consulting Services Pty Ltd, a company in which James Passaris has an interest to provide business services at the rate of \$4,820 per week plus GST.

Either party may terminate the Agreement at any time by providing the other Party with a written notice of termination equal to the Notice period and in the case of the principal paying the Contractor an amount equal to the Fee the contractor would otherwise earn during the Notice period. The Notice period is 90 days.

CLASSIC MINERALS LIMITED

Shareholdings of Key Management Personnel

(a) Number of ordinary shares held by key management personnel during the year

| | Balance 1 July 2015 | Received as remuneration | Net Change Other | Balance 30 June 2016 |
|---------------------------------|--------------------------------|-------------------------------------|-----------------------------|---------------------------------|
| Stanislaw Procak ⁽ⁱ⁾ | 1,712,502 | - | - | 1,712,502 |
| Lu Ning Yi | - | - | - | - |
| Justin Douth | 5,248,337 | - | - | 5,248,337 |
| Kent Hunter | 1,300,002 | - | - | 1,300,002 |
| Jacob Douth | 3,960,000 | - | (3,960,000) | - |
| James Passaris | 2,240,010 | - | - | 2,240,010 |
| Jeffrey Nurse | 510,000 | - | - | 510,000 |
| | 14,970,851 | - | (3,960,000) | 11,010,851 |

| | Balance 1 July 2014 | Received as remuneration | Net Change Other | Balance 30 June 2015 |
|------------------------------|--------------------------------|-------------------------------------|-----------------------------|---------------------------------|
| Stanislaw Procak | 1,712,502 | - | - | 1,712,502 |
| Justin Douth ⁽ⁱⁱ⁾ | 2,250,004 | - | 2,998,333 | 5,248,337 |
| Kent Hunter | 1,300,002 | - | - | 1,300,002 |
| Jacob Douth | 1,960,000 | 2,000,000 | - | 3,960,000 |
| James Passaris | 2,240,010 | - | - | 2,240,010 |
| Jeffrey Nurse | 500,000 | - | 10,000 | 510,000 |
| | 9,962,518 | 2,000,000 | 3,008,333 | 14,970,851 |

(i) Number of shares held at time of his retirement – 30 November 2015

(ii) Included in this amount was 1,800,000 shares received by Samantha Douth (wife of Justin Douth) as part of providing loans to the Company during the year.

CLASSIC MINERALS LIMITED

Option holdings of Key Management Personnel

(a) Number of options held by key management personnel during the year. The Company's unlisted options expired at 31 December 2015.

| | <i>Balance 1 July 2015</i> | <i>Received as remuneration</i> | <i>Net Change Other</i> | <i>Balance 30 June 2016</i> |
|------------------|--------------------------------|-------------------------------------|-----------------------------|---------------------------------|
| Stanislaw Procak | - | - | - | - |
| Justin Douch | - | - | - | - |
| Kent Hunter | - | - | - | - |
| Jacob Douch | 233,333 | - | (233,333) | - |
| James Passaris | 233,334 | - | (233,334) | - |
| Jeffrey Nurse | - | - | - | - |
| | 466,667 | - | (466,667) | - |

| | <i>Balance 1 July 2014</i> | <i>Received as remuneration</i> | <i>Net Change Other</i> | <i>Balance 30 June 2015</i> |
|------------------|--------------------------------|-------------------------------------|-----------------------------|---------------------------------|
| Stanislaw Procak | - | - | - | - |
| Justin Douch | - | - | - | - |
| Kent Hunter | - | - | - | - |
| Jacob Douch | - | - | 233,333 | 233,333 |
| James Passaris | - | - | 233,334 | 233,334 |
| Jeffrey Nurse | - | - | - | - |
| | - | - | 466,667 | 466,667 |

No Options to subscribe for unused fully paid ordinary shares in the Company at the date of this report held by directors and other Key Management Personnel.

Annual General Meeting 2015

At the Company's Annual General Meeting it received a second –strike against its remuneration report. This triggered a “spill” resolution, which was defeated on a poll.

CLASSIC MINERALS LIMITED

Transactions with Directors, Director Related Entities and other Related Entities are:

2016

- In 2016, an aggregate amount of \$60,000 was due and payable to MCAS and M.Y. Body this amount represented Directors Fees payable to Mr Hunter in his capacity as Non-Executive Director. Mr Hunter has an interest in MCAS and M.Y Body. An amount of \$102,565 remains owing as at 30 June 2016.
- In 2016, an aggregate amount of \$29,167 was due and payable to Lu Ning Yi this amount represented Directors Fees payable to Mr Yi in his capacity as a Non-Executive Director. An amount of \$29,167 remains owing as at 30 June 2016.
- In 2016, an aggregate amount of \$20,833 was due and payable to Stan Procak. This amount represented Directors Fees payable to Mr Procak in his capacity as a Non-Executive Director until his retirement in November 2015. An amount of \$20,833 and \$1,979 in superannuation remains owing as at 30 June 2016.
- Denarda is in the business of providing drilling services to mining companies and these services were provided to this Company at commercial rates. An amount of \$200,277 remains as a prepayment for future drilling as at 30 June 2016. This balance will be reduced in future years through the provision of further drilling services and associated services.
- In 2016, an aggregate amount of \$391,316 was expensed by the Company in relation to services provided by Namija Pty Ltd ("Namija"), a company which John Douth (father of Justin Douth) is a consultant. Services performed by Namija during the year include consulting and fees in relation to business strategy, financing and indigenous affairs support at commercial rates. An amount of \$53,479 remains owing as at 30 June 2016.
- As at 30 June 2015, a short-term loan of \$3,500 had been advanced to the Company by Jacob Douth this was subsequently repaid in August 2015. Interest was charged at 20% on this short-term loan.
- As at 30 June 2015, a short-term loan of \$40,650 had been advanced to the Company by Samantha Douth (wife of Justin Douth) this was subsequently repaid in August 2015 and \$7,489 in interest was charged on the loan.

2015

- In 2015, an aggregate amount of \$60,000 was paid or due and payable to MCAS Pty Ltd, ("Mining Corporate") and M.Y. Body this amount represented Directors Fees payable to Mr Hunter in his capacity as Non-Executive Director. Mr Hunter has an interest in MCAS and M.Y Body. An amount of \$30,044 remains owing as at 30 June 2015.
- In 2015, an aggregate amount of \$380,080 was paid or due and payable to Denarda Holdings Pty Ltd ("Denarda"), a company in which John Douth (father of Justin Douth) has a beneficial interest. Denarda is in the business of providing drilling services to mining companies and these services were provided to this Company at commercial rates. An amount of \$200,277 remains as a prepayment for future drilling as at 30 June 2015.
- In 2015, an aggregate amount of \$383,420 was expensed by the Company in relation to services provided by Namija Pty Ltd ("Namija"), a company which John Douth (father of Justin Douth) is a consultant. Services performed by Namija during the year include consulting and fees in relation to business strategy, financing and indigenous affairs support at commercial rates. An amount of \$170,017 remains owing as at 30 June 2015.
- In 2015, the Company had a \$100,000 fully refundable deposit with Guide Resources Pty Ltd, to carry out due diligence on three tenements – E28/2730, E28/2731 and E25/454 located in the Cowarna Rocks area. Mr. James Passaris is a director of Guide Resources Pty Ltd. During the year the Company agreed to acquire these tenements for \$100,000. No further payment was made to Guide during the year.
- In 2015, three short-term loans totalling \$48,519 (tranche 1), \$30,000 (tranche 2) and \$8,000 (tranche 3) were advanced to the Company by Samantha Douth (wife of Justin Douth). These loans have subsequently been repaid, with tranche 3 repaid during the period. Finance charges included in tranche 1 and tranche 3 was interest on advances at 20% per month, and as well as 1,000,000 shares for tranche 1 and 800,000 shares for tranche 3. There was no interest incurred on the second tranche advance.
- In June 2015, the Company received two short-term loans from Jacob Douth (\$3,500) and Aneles Consulting Services Pty Ltd (\$3,157), a company related to James Passaris. Both of these loans attracted an interest rate of 10% per month and have been repaid subsequent to the end of the financial year.

END OF REMUNERATION REPORT

CLASSIC MINERALS LIMITED

This report of the directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Justin Douth
Executive Director

Dated this 30th day of September 2016

CLASSIC MINERALS LIMITED

It is the opinion of the directors of Classic Minerals Limited (the "Company");

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position of the Company as at 30 June 2016 and of the performance as represented by the results of its operations and its cashflows for the year ended on that date;
2. 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.
3. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

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



Justin Douth
Executive Director

Dated this 30th day of September 2016

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Classic Minerals Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 30th day of September 2016

Independent Auditor's Report

To the Members of Classic Minerals Limited

We have audited the accompanying financial report of Classic Minerals Limited ("the Company"), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of accounting policies, 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 Standards 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

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

**Bentleys Audit & Corporate
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Independent Auditor's Report

To the Members of Classic Minerals Limited (*Continued*)



Opinion

In our opinion:

- a. The financial report of Classic Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter – Trade and Other Receivables

Without qualifying our opinion, we draw attention to Note 8 of financial report where the Company has recorded a receivable of \$3,400,000 for the sale of the Doherty's gold project. As described in Note 8(i), the recovery of \$2,850,000 of this amount is based upon the release of a plaint that was placed on the Mining Licence of that project.

This item represents a significant asset recorded by the Company, and at the date of this report, the outcome of this event remains uncertain. Therefore, there remains a material uncertainty with regard to the carrying value of this receivable.

Emphasis of matter – Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company had a working capital deficiency (excluding trade and other receivables where material uncertainty existed) of \$2,467,825 as at 30 June 2016. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

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

Opinion

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

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Director

Dated at Perth this 30th day of September 2016

CLASSIC MINERALS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 30 June 2016 \$ | 30 June 2015 \$ |
|---|------|--------------------|--------------------|
| Profit on sale of mining interest in Doherty's | 3 | 3,505,063 | - |
| Research & Development rebate 2014/15 | 3 | 1,482,137 | - |
| Other Income | 3 | 2,365 | 37,815 |
| Employee benefits and consultants expense | | (1,173,541) | (1,340,618) |
| Advertising and marketing expenses | | (11,544) | (21,953) |
| Legal expenses & professional fees | | (311,480) | (165,415) |
| Commissions paid | | (1,550) | (114,795) |
| Depreciation expense | 10 | (59,299) | (74,796) |
| Exploration expenses | | (461,399) | (1,172,737) |
| Financing Charges | | (403,965) | (1,318,654) |
| Travel expenses | | (12,649) | (18,554) |
| Occupancy expenses | | (102,445) | (156,726) |
| Impairment Charge relating to the diminution in value of marketing rights | 12 | - | (1,200,000) |
| Administration expenses | 4 | (117,286) | (363,757) |
| Profit/(Loss) before income tax expense | | 2,334,407 | (5,910,190) |
| Income tax benefit | 5 | - | - |
| Profit/(Loss) for the year | | 2,334,407 | (5,910,190) |
| Other Comprehensive Income | | | - |
| Items that may subsequently be reclassified to profit or loss | | | |
| - sale of financial asset | | - | - |
| Income tax on other comprehensive Income | | - | - |
| Total Other Comprehensive Income | | - | - |
| Total Comprehensive loss for year | | 2,334,407 | (5,910,190) |
| Profit/(Loss) for the year | | | |
| Attributable to members of Classic Minerals Limited | | 2,334,407 | (5,910,190) |
| | | 2,334,407 | (5,910,190) |
| Total Comprehensive Profit /(Loss) for year | | | |
| Attributable to members of Classic Minerals Limited | | 2,334,407 | (5,910,190) |
| | | 2,334,407 | (5,910,190) |
| Basic loss per share (cents per share) | 6 | 0.007 | (0.022) |

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

| | | 30 June 2016 \$ | 30 June 2015 \$ |
|---|-------------|--------------------|--------------------|
| | <i>Note</i> | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 56,555 | 39,537 |
| Trade and other receivables | 8 | 3,479,432 | 47,877 |
| Other | 9 | 200,277 | 200,277 |
| TOTAL CURRENT ASSETS | | 3,736,264 | 287,691 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 10 | 223,743 | 280,315 |
| Exploration, evaluation and development | 11 | - | 231,300 |
| Intangibles | 12 | - | - |
| Other assets | 13 | 3,642 | 3,642 |
| TOTAL NON-CURRENT ASSETS | | 227,385 | 515,257 |
| TOTAL ASSETS | | 3,963,649 | 802,948 |
| CURRENT LIABILITIES | | | |
| Trade and other Payables | 14 | 2,023,801 | 1,661,619 |
| Provision for Employee Benefits | 15 | 105,197 | 61,669 |
| Borrowings | 16 | 1,225,091 | 899,374 |
| TOTAL CURRENT LIABILITIES | | 3,354,089 | 2,622,662 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 16 | 79,650 | 92,574 |
| TOTAL NON CURRENT LIABILITIES | | 79,650 | 92,574 |
| TOTAL LIABILITIES | | 3,433,739 | 2,715,236 |
| NET (LIABILITIES)/ ASSETS | | 529,910 | (1,912,288) |
| EQUITY | | | |
| Issued capital | 17 | 13,030,949 | 12,923,158 |
| Reserves | 18 | - | - |
| Accumulated losses | | (12,501,039) | (14,835,446) |
| TOTAL EQUITY | | 529,910 | (1,912,288) |

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

| | <i>Issued Capital</i> \$ | <i>Option Premium Reserve</i> | <i>Accumulated Losses</i> \$ | <i>Total Equity</i> \$ |
|---|---------------------------------|-----------------------------------|-------------------------------------|-------------------------------|
| Balance at 30 June 2015 | 12,923,158 | - | (14,835,446) | (1,912,288) |
| Total Comprehensive Loss for the year | | | | |
| Profit for the year | - | - | 2,334,407 | 2,334,407 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income/(Loss) | - | - | 2,334,407 | 2,334,407 |
| Transactions with owners recorded directly in equity | | | | |
| Options expired during the period | - | - | - | - |
| Shares issued (net of expenses) during the year | 107,791 | - | - | 107,791 |
| Balance at 30 June 2016 | 13,030,949 | - | (12,501,039) | 529,910 |
| | | | | |
| | <i>Issued Capital</i> \$ | <i>Option Premium Reserve</i> | <i>Accumulated Losses</i> \$ | <i>Total Equity</i> \$ |
| Balance at 30 June 2014 | 11,943,381 | 1,005,126 | (9,930,382) | 3,018,125 |
| Total Comprehensive Loss for the year | | | | |
| Loss for the year | - | - | (5,910,190) | (5,910,190) |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income/(Loss) | - | - | (5,910,190) | (5,910,190) |
| Transactions with owners recorded directly in equity | | | | |
| Shares issued (net of expenses) during the year | - | (1,005,126) | 1,005,126 | - |
| | 979,777 | - | - | 979,777 |
| Balance at 30 June 2015 | 12,923,158 | - | (14,835,446) | (1,912,288) |

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 30 June 2016 \$ | 30 June 2015 \$ |
|---|-------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Proceeds from the sale of Mining interest – Doherty’s | | 600,000 | - |
| Receipt of Research & Development Rebate for 2014/15 | | 1,482,137 | - |
| Receipt of Research & Development rebates for 2012/13 and 2013/14 | | - | 2,830,198 |
| Payments to suppliers and employees | | (1,679,671) | (2,716,340) |
| Interest paid | | (430,805) | (728,764) |
| Interest received | | 944 | 23,989 |
| Other Income received | | 1,423 | 13,826 |
| Net cash (outflows) from operating activities | 22(a) | (25,972) | (577,091) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Fixed Assets | | (2,727) | (24,364) |
| Return of Refundable Deposit – Nex Metals | | (300,000) | - |
| Net cash (outflows) from investing activities | | (302,727) | (24,364) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Share Capital received | | 20,000 | 60,000 |
| Proceeds from Convertible Note issue – Mdivest Pty Ltd | 16 | 1,000,000 | - |
| Repayment of Loans received/(repaid) | | (1,242,294) | (3,211,272) |
| Proceeds of short term loans | | 568,011 | 3,452,457 |
| Net cash inflows from financing activities | | 345,717 | 301,185 |
| Net increase/ (decrease) in cash held | | 17,018 | (300,270) |
| Cash and cash equivalents at the beginning of the year | | 39,537 | 339,807 |
| Cash and cash equivalents at the end of the year | 22(b) | 56,555 | 39,537 |

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Corporate Information

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

2. Summary of Significant Accounting Policies

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporation Act 2001.

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

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

Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company recognised a profit of \$2,334,407 for the year ended 30 June 2016 (2015: loss - \$5,910,190).

The net working capital position of the Company at 30 June 2016 was a surplus of \$382,175 (2015: deficit of \$2,334,971) and the net increase in cash held during the year was \$17,018 (2015: \$945,023). Included in the working capital position as at 30 June 2016 are trade and other receivables of \$3,400,000 in relation to the sale of the Doherty's gold project (refer Note 8), for which the recoverability of \$2,850,000 is subject to the results of the release of the plaintiff, and represents a material uncertainty. Furthermore, if the outcome of the plaintiff proves unfavourable, the amounts received as at the date of this report of \$1,150,000 may be refundable to the purchaser. Excluding the above receivable, the adjusted working capital position is a working capital deficit of \$2,467,825.

The Company has expenditure commitments relating to exploration expenditure obligations for their projects of \$300,994 which potentially could fall due in the twelve months to 30 June 2017. Furthermore, the Company has finance and operating lease commitments of \$138,969 payable in the next 12 months.

Furthermore, as at the date of this report, the Company has \$43,909 of creditors for which statutory demands have been issued to the Company and are still outstanding. The Company intends on utilising the standby facility agreement outlined below to settle these amounts. A further statutory demand of \$16,546 has been received and is outstanding as at date of this report, however it is in the process of being disputed.

On 29 September, the Company has entered into a Standby Subscription Agreement with Stock Assist Group Pty Ltd. Under this agreement, the Company has a facility of up to \$1,000,000 by issuing shares at 80% of 5 day VWAP, which it can utilise to meet short-term working capital requirements. There is an establishment fee of 6,000,000 shares.

The Company has obtained confirmations from its creditors and convertible note holder (refer Note 16) totalling \$1,196,229 to agree not to call upon their amounts owed until the earlier of such time that the Company has sufficient working capital to repay the amount or 12 months from the date of signing the financial report.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. Summary of Significant Accounting Policies (continued)

The Directors have prepared a cashflow forecast which indicates that the Company will have sufficient cashflows to meet all commitments and workings capital requirements for the period 12 months from the date of signing this report. The ability of the Company to continue as a going concern is dependent on:

- The drawdown of the Standby Subscription Agreement with Stock Assist Group Pty Ltd to meet the payment requirements of their creditors;
- The results of the Company's undertakings to obtain a release or removal of the plaintiff against the Doherty's Gold Project, and receipt of a further \$2,850,000 subsequent to balance date from the sale of the Company's mining interest in the Doherty's gold project (refer Note 8);
- the completion of subsequent capital raisings from a proposed rights issue to existing shareholders of approximately \$200,000 prior to December 2016.
- the completion of the research and development rebate for the 2016 financial year anticipated to be received in December 2016;
- the continued support of creditors and Convertible Note holders who have deferred payment as outlined above; and
- containing cash outflows based on working capital requirements

Should the Company not be successful in the above, it would be required to raise funds approximately \$1,400,000 in the immediate future.

The above conditions represent a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(c) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. Summary of Significant Accounting Policies (continued)

Available-for-sale financial assets

Shares and options held by the company are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the Statement of Profit or Loss and Other Comprehensive Income for the year.

Financial assets at fair value through the Statement of Profit or Loss and Other Comprehensive Income

The Company classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(d) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(d) Financial instruments issued by the company (continued)

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. Summary of Significant Accounting Policies (continued)

the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

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

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation

(d) Financial instruments issued by the company (continued)

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

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable,

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. Summary of Significant Accounting Policies (continued)

the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

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

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

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

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST;

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

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

(f) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. Summary of Significant Accounting Policies (continued)

been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow

from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. Summary of Significant Accounting Policies (continued)

(h) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(i) Presentation currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

(j) Plant and equipment

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

| <i>Class of Fixed Asset</i> | <i>Depreciation Rate</i> |
|--|--------------------------|
| Motor vehicles, Caravan and Quad Bikes | 18.75% - 37.5% |
| Office equipment | 7.5% - 100% |

(k) Exploration and Evaluation Expenditure

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition.

Subsequent exploration and evaluation costs related to an area of interest are written off.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered through use or sale.

(l) Intangible assets

Intangible assets with indefinite lives that are acquired separately are carried at cost less accumulated impairment losses.

(m) Provisions

Provisions are recognised when the entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(n) Revenue recognition

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(o) Equity based compensation

The Company expenses equity based compensation such as share and option issues after ascribing a fair value to the shares and/or options issued. If options vest at date of grant, the expense is taken up at date of grant and a corresponding Option Reserve is credited.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. Summary of Significant Accounting Policies (continued)

(p) Issued capital

Issued capital is recognised at the fair value of the consideration received by the Company. Any transaction costs on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that it transferred to the company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the years in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(q) Earnings per share

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

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

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

(r) Sale of Non-Current Asset

Income from the sale of assets is measured as the consideration received net of the carrying value of the asset and any cost of disposal.

Share based payments

The Company measures the cost of equity-settled transactions principally with its creditors by reference to the fair value of the equity instruments at the date at which they are granted. Share based payments are disclosed at Note 28.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. Summary of Significant Accounting Policies (continued)

(s) Critical accounting judgments, estimates and assumptions (continued)

Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current.

These costs are carried forward in respect of an area that has not at statement of financial position date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Impairment of intangible assets

As at 30 June 2016, the directors considered the value of the marketing rights over iron ore at the Company's Cowarna Rocks tenement and in light of current iron ore prices have decided to maintain the carrying value at \$Nil.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Comparative figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(t) Adoption of New and Revised Accounting Standard

New, revised or amending Accounting Standards and Interpretations adopted

The 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 any significant impact on the financial performance or position of the group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2016. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

NOTE 3: REVENUE FROM CONTINUING OPERATIONS

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---|--------------------|--------------------|
| Proceeds on the sale of Mining Interest – Doherty's | 3,505,063 | - |
| Research & Development Rebate 2014/15 | 1,482,137 | - |
| Interest Income | 944 | 23,989 |
| Other Income | 1,421 | 13,826 |
| | <u>4,989,565</u> | <u>37,815</u> |

NOTE 4: LOSS BEFORE INCOME TAX

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---|--------------------|--------------------|
| The loss before income tax has been arrived at after charging the following expenses: | | |
| Insurance expenses | 19,562 | 37,844 |
| Telephone expenses | 2,789 | 10,666 |
| Other administration expenses | 94,935 | 337,200 |
| | <u>117,286</u> | <u>385,710</u> |

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 5: INCOME TAX

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---|--------------------|--------------------|
| (a) Current tax expense | | |
| Current year | - | - |
| 5(b) | - | - |
| (b) Numerical reconciliation between tax expense and pre-tax net profit | | |
| Profit/ (Loss) before tax | 2,334,407 | (5,910,190) |
| Income tax expense/(benefit) calculated at 30% | 700,322 | (1,773,057) |
| Tax effect of: | | |
| - Non-deductible expenses | 37,276 | 239,011 |
| - Impairment | - | 360,000 |
| - Current year revenue losses for which no deferred tax asset has been recognised | - | 1,248,681 |
| -Unrecognised timing differences | (19,246) | (44,635) |
| -Exploration costs | - | (30,000) |
| - Taxable profit on disposal of tenements | 69,390 | - |
| -Research & Development rebate received for 2014/15 | (460,691) | - |
| Capital losses utilised | - | - |
| Prior year tax losses utilised | (327,051) | - |
| Income tax expense on pre-tax net profit | - | - |
| (c) Unrecognised deferred tax balances | | |
| The following deferred tax assets (at 30%) have not been brought to account: | | |
| Unrecognised deferred tax asset – tax losses | 1,498,917 | 2,833,268 |
| Unrecognised deferred tax asset- other timing differences | 181,978 | 177,224 |
| Net deferred tax assets | 1,680,895 | 3,010,492 |

The net deferred tax assets not brought into account will only be of a benefit to the Company if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the Company are able to meet the continuity of ownership and/or continuity of business tests.

During the year ended 30 June 2016, the Company applied for and has been assessed as being eligible to receive a rebate from the Australian Taxation Office of \$1,535,637 representing the tax value of research and development costs for the year 30 June 2015 this was received on 15 December 2015.

This tax note has been prepared on the basis that prior year losses are able to be recouped. It should be noted that the ability of a company to utilise prior year tax losses will depend upon the satisfaction of the loss recoupment tests contained within the Income Tax Legislation. At the time of preparing the financial statements, this assessment has not been undertaken.

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--|--------------------|--------------------|
| NOTE 6: EARNINGS PER SHARE | | |
| a. Profit/(loss) for the year | 2,334,407 | (5,910,190) |
| b. Weighted average number of ordinary shares at 30 June | 313,232,220 | 271,913,388 |
| Earnings per share – cents | 0.007 | (0.022) |
| NOTE 7: CASH AND CASH EQUIVALENTS | | |
| Cash at bank | 56,555 | 39,537 |

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8: TRADE AND OTHER RECEIVABLES

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---|--------------------|--------------------|
| Current | | |
| Receivable from Accelerated Mining Pty Ltd (i) | 3,400,000 | - |
| Prepaid Interest on Convertible Note – Mdivest Pty Ltd (ii) | 26,849 | - |
| Bonds and Security Deposits | 20,000 | 15,477 |
| Other receivables | 32,583 | 32,400 |
| | <u>3,479,432</u> | <u>47,877</u> |

As at 30 June 2016 trade and other receivables do not contain impaired assets.

- (i) On 24 March 2016, The Company entered into a Sale of Mining Interest agreement with Accelerated Mining Pty Ltd for the sale of its interest in the Doherty's gold project (M57/619) for \$4m (GST Inclusive). Under the terms of this agreement, the Company has received \$600,000 of the purchase consideration prior to the end of the financial year. The Company has received a further \$550,000 subsequent to balance date, with an amount of \$2,850,000 outstanding as at the date of this report.

As announced on 13 September 2016, a plaint was placed over the Doherty's project that has impacted the recovery of the amount receivable. The Company is currently investigating various options to obtain a release of the plaint, including undergoing through the required court hearings, as well as negotiations with the party who raised the plaint. The directors believe that they will be successful in the above matters to release the plaint on the Doherty's gold project. The Company continues to be in correspondence with Accelerated Mining Pty Ltd, who have communicated that they are prepared to provide the Company with assistance in its undertakings to have the plaint removed or withdrawn.

The above represents a material uncertainty over the recoverability of the amounts receivable, and should results of the Company's undertakings detailed above not be successful, the amounts receivable that were not recovered subsequent to balance date may require a provision for doubtful debts.

- (ii) On 26 August 2015, the Company received the proceeds from a Convertible Note of \$1m to Mdivest Pty Ltd. Under the terms of the Convertible Note interest is paid in advance at 17.5% per annum.

NOTE 9: OTHER ASSETS

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---------------------------|--------------------|--------------------|
| Current | | |
| Prepaid Drilling Expenses | 200,277 | 200,277 |
| | <u>200,277</u> | <u>200,277</u> |

The Company has a contract with Denarda Holdings Pty Ltd for the provision of drilling services. Pursuant to this Agreement the Company has pre-paid drilling expenses. This prepayment will be recovered from drilling and other associated services provided by Denarda. Refer to Note 25 for further explanation.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10: PLANT AND EQUIPMENT

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---|--------------------|--------------------|
| Gross Carrying Amount | | |
| Motor Vehicles, Caravan and Quad Bikes | | |
| Opening balance | 232,394 | 244,030 |
| Acquisitions | - | 12,727 |
| Disposals | - | (24,363) |
| Closing balance | 232,394 | 232,394 |
| Plant & Equipment | | |
| Opening balance | 158,112 | 146,476 |
| Acquisitions | 2,727 | 11,636 |
| Disposals | - | - |
| Closing balance | 160,839 | 158,112 |
| Motor Vehicle under Hire Purchase | | |
| Opening balance | 139,853 | 139,853 |
| Acquisitions | - | - |
| Disposals | - | - |
| Closing balance | 139,853 | 139,853 |
| Total Cost | 533,086 | 530,359 |
| | 30 June 2016 \$ | 30 June 2015 \$ |
| Accumulated Depreciation | | |
| Motor Vehicles, Caravan and Quad Bikes | | |
| Opening balance | 100,470 | 93,270 |
| Depreciation charge for year | 23,689 | 27,054 |
| Disposals | - | (19,854) |
| Closing balance | 124,159 | 100,470 |
| Plant & Equipment | | |
| Opening balance | 110,923 | 71,215 |
| Depreciation charge for year | 16,635 | 39,708 |
| Closing balance | 127,558 | 110,923 |
| Motor Vehicle under Hire Purchase | | |
| Opening balance | 38,651 | 15,296 |
| Depreciation charge for year | 18,975 | 23,355 |
| Closing balance | 57,626 | 38,651 |
| | 309,343 | 250,044 |
| Carrying Amount | | |
| Motor vehicles, Caravan and Quad Bikes | | |
| At 1 July | 131,924 | 150,760 |
| At 30 June | 108,235 | 131,924 |
| Plant & Equipment | | |
| At 1 July | 47,189 | 75,261 |
| At 30 June | 33,281 | 47,189 |
| Motor Vehicle under Hire Purchase | | |
| At 1 July | 101,202 | 124,557 |
| At 30 June | 82,227 | 101,202 |
| Total Carrying Amount 30 June 2016 | 223,743 | 280,315 |

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11: EXPLORATION AND EVALUATION

| | 30 June 2016 \$ | 30 June 2015 \$ |
|-----------------------------------|--------------------|--------------------|
| Non-Current | | |
| Doherty's exploration project | - | 131,300 |
| Cowarna Rocks exploration project | - | 100,000 |
| | - | 231,300 |

NOTE 12: INTANGIBLES

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--|--------------------|--------------------|
| Non-Current | | |
| Acquisition of Marketing Rights over Cowarna Rocks (i) | 1,200,000 | 1,200,000 |
| Less: Impairment Charge | (1,200,000) | (1,200,000) |
| | - | - |

- (i) In June 2014, the Company's requested an independent valuation of its tenement Cowarna Rocks. This valuation was prepared by Independent Geologist, Al Maynard & Associates and valued the Cowarna Rocks tenement between \$0.8 million and \$1.4 million. As a result of the downward trend in the spot price for Iron ore during the first half of 2015, the Directors decided to recognise an impairment charge of \$1,200,000 in 2015. As at 30 June 2016, the Directors reviewed the value of the Marketing Rights and have decided to keep the existing carrying value at Nil. The Directors continue to monitor trends in the price of iron ore and will conduct an annual review of the value of the asset in future.

NOTE 13: OTHER ASSETS

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--------------------|--------------------|--------------------|
| Non-Current | | |
| Bond on tenements | 3,642 | 3,642 |
| | 3,642 | 3,642 |

NOTE 14: TRADE AND OTHER PAYABLES

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--|--------------------|--------------------|
| Current | | |
| Trade and other payables (i) | 719,937 | 617,734 |
| Accruals | 1,073,393 | 585,790 |
| Accrual – outstanding salaries for Justin Douch and Jacob Douch (ii) | 230,471 | 158,095 |
| | 2,023,801 | 1,361,619 |
| Refundable deposit - received subject to due diligence (iii) | - | 300,000 |
| | - | 300,000 |

- (i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms. The amount of payables at balance date exceeding normal trading terms totalling \$499,439.
- (ii) Justin Douch and Jacob Douch agreed to defer the payment of salaries until such time as the Company could pay them. The amount as at 30 June 2016 owing to Justin Douch was \$81,037 and owing to Jacob Douch was \$149,434.
- (iii) On 15 December 2015, the Company repaid the Due diligence deposit of \$300,000 with Nex Metals Limited.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: PROVISION FOR EMPLOYEE BENEFITS

| | 30 June 2016 \$ | 30 June 2015 \$ |
|----------------------------|--------------------|--------------------|
| Current | | |
| Provision for Annual Leave | 105,197 | 61,669 |
| | <u>105,197</u> | <u>61,669</u> |

NOTE 16: BORROWINGS

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---------------------------------|--------------------|--------------------|
| Current | | |
| Loans from shareholders (i) | 202,025 | 800,000 |
| Loans from Related Parties (ii) | 1,000,000 | 76,308 |
| Hire Purchase contract (iii) | 23,066 | 23,066 |
| | <u>1,225,091</u> | <u>899,374</u> |
| Non-Current | | |
| Hire purchase contract (iii) | 79,650 | 92,574 |
| | <u>79,650</u> | <u>92,574</u> |

(i) As at 30 June 2016, three short-term loans were advanced to the Company by its shareholders. These unsecured loans amounted to \$202,025. Interest accrued on these loans at 10 -20 per cent per month for terms of 2-3 months. Two of the four short-term loans were repaid in full in July 2016.

(ii) On 26 August 2015, the Company received the proceeds of a Convertible Note issue of \$1M to Mdivest Pty Ltd, a company related to Marlene Douch (mother of Justin Douch). Under the terms of the Convertible Note ("CN") the face value of the CN can be converted into shares at any time during a 12-month period at an exercise price of \$0.03 per share. Interest on the CN is charged at 17.5% per annum. Mdivest Pty Ltd has agreed not to seek repayment until such time as the Company is able to repay this amount.

(iii) The hire purchase contract is secured by a motor vehicle.

NOTE 17: ISSUED CAPITAL

| | 30 June 2016 \$ | Number of Shares |
|---|--------------------|--------------------|
| Ordinary shares | | |
| At the beginning of the reporting year | 12,923,158 | 302,270,465 |
| Share based payments (refer to Note 27) | 87,791 | 18,197,170 |
| Share Capital issued at 0.4 cents (July 2015) | 20,000 | 5,000,000 |
| Less: expenses related to capital raisings | - | - |
| At the end of the reporting year | <u>13,030,949</u> | <u>325,467,635</u> |

| | 30 June 2015 \$ | Number of Shares |
|---|--------------------|--------------------|
| Ordinary shares | | |
| At the beginning of the reporting year | 11,943,381 | 247,606,166 |
| Share based payments (refer to Note 27) | 929,324 | 47,030,370 |
| Share Capital issued at 1 cents (May 2015) | 25,000 | 2,500,000 |
| Share Capital issued at 0.7 cents (May 2015) | 25,000 | 3,571,429 |
| Share Capital issued at 0.64 cents (May 2015) | 10,000 | 1,562,500 |
| Less: expenses related to capital raisings | (9,547) | - |
| At the end of the reporting year | <u>12,923,158</u> | <u>302,270,465</u> |

NOTE 18: OPTION PREMIUM RESERVE

As at 30 June 2016, the balance of the Option Premium reserve was Nil. The Company's class of listed options expired during the prior period.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 19: EXPENDITURE COMMITMENTS

(a) Exploration Expenditure Commitments

Payable

Not later than 1 year

Later than 1 year but not later than 5 years

Later than 5 years

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--|--------------------|--------------------|
| | 300,994 | 227,006 |
| | 982,472 | 773,378 |
| | - | 158,400 |
| | 1,283,466 | 1,158,784 |

(b) Rental Commitments

Payable

Not later than 1 year

Later than 1 year but not later than 5 years

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--|--------------------|--------------------|
| | 138,969 | 126,960 |
| | 141,039 | 128,970 |
| | 280,008 | 255,930 |

The Company has entered into a contract to lease office and warehouse premises located at 71 Furniss Street, Landsdale, 6065. The lease commenced from 1 September 2015 for a period of 24 months. The rental in the second year of the lease reflects an increase of 3% in base rent to \$69,009 plus variable outgoings estimated to be around \$30,000. The Company leased a storage shed located in Kalgoorlie for \$3,330 per month.

(c) Finance lease commitments – Company as lessee

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--|--------------------|--------------------|
| Within one year | 23,066 | 23,066 |
| After one year but not more than five years | 105,699 | 118,623 |
| Total minimum lease repayments | 128,765 | 141,689 |
| Less amounts representing finance charges | (26,048) | (26,048) |
| Present value of minimum lease payments | 102,717 | 115,641 |
| Included in the financial statements as: | | |
| Current interest-bearing liabilities | 23,066 | 23,066 |
| Non-current interest-bearing liabilities | 79,651 | 92,575 |
| Total included in interest-bearing liabilities | 102,717 | 115,641 |

(d) Capital Expenditure Commitments

There were no capital expenditure commitments at 30 June 2016.

NOTE 20: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company intends to hold a General Meeting (previously described as an Extraordinary General Meeting) shortly, at which time shareholder approval will be sought for at least four ordinary resolutions. Shareholder approval will be requested for 12,933,333 shares issued to various trade creditors including Samantha Douch (wife of Justin Douch) in February 2015. A second resolution will seek approval for 1,000,000 shares issued to Samantha Douch in June 2015. A third resolution will seek shareholder approval for the \$1m Convertible Note issued to Mdivest Pty Ltd. A fourth resolution will seek shareholder approval for the issue of 26m shares to Greywood Holdings Pty Ltd as fees for the introduction of the Accelerated Mining Pty Ltd, the acquirer of the Doherty's Mining Interest.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 20: CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

If resolutions 1 and 2 above are not approved the Company may be required to cancel the issued shares and recognise a liability of \$175,000.

As described in Note 8, a plaint was placed over the Doherty's project that has impacted the recovery of the amount receivable. The Company has received cash of \$600,000 of the sale proceeds as at 30 June 2016, and received a further \$550,000 subsequent to year end. If the outcome of the plaint proves unfavourable, the Company may be required to refund the amounts received as a result of the sale, which as at the date of this report is \$1,150,000. The directors are currently undertaking actions to have the plaint removed or withdrawn and that no amounts will be refundable.

The Company has an Agreement for Sourcing Tenements ("AST") with Guide Resources Pty Ltd ("Guide") whereby if Guide introduces tenements to Classic and Classic enters into arrangements to acquire a relevant interest in such tenements (and other tenements acquired within a 20km radius), Guide Resources is entitled to receive a minimum fee of \$10,000 relating to each tenement. Furthermore, Guide Resources would be entitled to conduct exploration on each relevant tenement for all minerals other than uranium, gold and silver. If production commences from gold, silver or uranium on a relevant tenement, Guide Resources is entitled to a royalty of \$2.50 per wet tonne.

NOTE 21: SEGMENT REPORTING

The Company operates predominantly in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company's as one segment. The financial results from this segment are equivalent to the financial statements of the Company's as a whole.

NOTE 22: STATEMENT OF CASH FLOWS

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---|--------------------|--------------------|
| a. Reconciliation of the net loss after income tax to net cash flows from operating activities | | |
| Net profit/(loss) for the year | 2,334,407 | (5,910,190) |
| Non-cash Items | | |
| Depreciation expense | 59,299 | 74,796 |
| Share based payments | 87,791 | 929,324 |
| Provision for impairment charge | - | 1,200,000 |
| Changes in assets and liabilities | | |
| (Increase)/decrease in debtors/receivables | (3,441,555) | 3,006,937 |
| (Increase)/decrease in Other Assets | - | 64,332 |
| Increase)/decrease in Exploration and evaluation Assets | 231,300 | (100,000) |
| (Increase)/decrease in Financial Assets | - | 32,000 |
| Increase/(decrease) in trade creditors and accruals | 672,182 | 134,849 |
| Increase/(decrease) in Hire Purchase liability | (12,924) | (16,331) |
| Increase/(decrease) in provisions | 43,528 | 7,192 |
| Cash outflows from operations | (25,972) | (577,091) |
| b. Reconciliation of cash and equivalents | | |
| Cash and equivalents comprise | | |
| - cash at bank and in hand | 56,555 | 39,537 |

During the year, non-cash share based payments amounted to \$87,791. For further information refer to Note 27.

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

Short term deposits are made for varying years of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--|--------------------|--------------------|
| (a) Compensation of key management personnel by category | | |
| Short-term employee benefits | 769,567 | 900,474 |
| Post employment benefits | 54,704 | 57,339 |
| Share-based payment | - | 20,000 |
| | 824,271 | 977,813 |

Refer to the Remuneration report contained in the Director's Report for details of the remuneration paid to each member of the Company's Key Management Personnel, shares and option holdings.

NOTE 24: RELATED PARTY TRANSACTIONS

Transactions with Directors, Director Related Entities and other Related Entities are:

2016

- In 2016, an aggregate amount of \$60,000 was due and payable to MCAS Pty Ltd, ("Mining Corporate") and M.Y. Body this amount represented Directors Fees payable to Mr Hunter in his capacity as a Non-Executive Director. Mr Hunter has an interest in MCAS and M.Y Body. An amount of \$102,565 remains owing as at 30 June 2016.
- In 2016, an aggregate amount of \$29,167 was due and payable to Mr. Lu Ning Yi. This amount represents Directors Fees payable to Mr Yi for the seven-month period in which he was a Non-Executive Director. An amount of \$29,167 remains owing as at 30 June 2016.
- In 2016, an aggregate amount of \$22,812 was due and payable to Mr. Stan Procak. This amount represents Directors Fees payable to Mr Procak for the five-month period for the year in which he was a Non-Executive Director. On 30 November 2015, Mr Procak retired. An amount of \$20,833 and \$1,979 (Superannuation) remains owing to Mr. Procak as at 30 June 2016.
- Denarda is in the business of providing drilling services to mining companies and these services were provided to this Company at commercial rates. An amount of \$200,277 remains as a prepayment for future drilling and other associated services as at 30 June 2016.
- In 2016, an aggregate amount of \$391,316 was expensed by the Company in relation to services provided by Namija Holdings Pty Ltd ("Namija"), a company which John Douth (father of Justin Douth) is a consultant. Services performed by Namija during the year and included consulting and fees in relation to business strategy, financing and indigenous affairs support at commercial rates. An amount of \$53,479 remains owing as at 30 June 2016.
- As at 30 June 2015, a short-term loan of \$3,500 had been advanced to the Company. This was repaid in full in August 2015. Interest was charged on this short-term loan at 20%.
- As at 30 June 2015, a short-term loan of \$40,650 had been advanced to the Company. This was repaid in full in August 2015. Interest of \$7,498 was charged on this loan.

2015

- In 2015, an aggregate amount of \$60,000 was paid or due and payable to MCAS Pty Ltd, ("Mining Corporate") and M.Y. Body this amount represented Directors Fees payable to Mr Hunter in his capacity as Non-Executive Director. Mr Hunter has an interest in MCAS and M.Y Body. An amount of \$30,044 remains owing as at 30 June 2015.
- In 2015, an aggregate amount of \$380,080 was paid or due and payable to Denarda Holdings Pty Ltd ("Denarda"), a company in which John Douth (father of Justin Douth) has a beneficial interest. Denarda is in the business of providing drilling services to mining companies and these services were provided to this Company at commercial rates. An amount of \$200,277 remains as a prepayment for future drilling as at 30 June 2015.
- In 2015, an aggregate amount of \$383,420 was expensed by the Company in relation to services provided by Namija Holdings Pty Ltd ("Namija"), a company which John Douth (father of Justin Douth) is a consultant. Services performed by Namija during the year include consulting and fees in relation to business strategy, financing and indigenous affairs support at commercial rates. An amount of \$170,017 remains owing as at 30 June 2015.
- In 2015, the Company had a \$100,000 fully refundable deposit with Guide Resources Pty Ltd, to carry out due diligence on three tenements – E28/2730, E28/2731 and E25/454 located in the Cowarna Rocks area. Mr. James Passaris is a director of Guide Resources Pty Ltd. During the year the Company agreed to acquire these tenements for \$100,000. No further payment was made to Guide during the year.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 24: RELATED PARTY TRANSACTIONS (continued)

- In 2015, two short-term loans totalling \$48,519 (tranche 1) and \$30,000 (tranche 2) were advanced to the Company by Samantha Douth (wife of Justin Douth). These loans have subsequently been repaid. Finance charges included in tranche 1 was interest on advances at 20% per month and 1,800,000 shares. There was no interest incurred on the second tranche advance.
- In June 2015, the Company received two short-term loans from Jacob Douth (\$3,500) and Aneles Consulting Services Pty Ltd (\$3,157), a company related to James Passaris. Both of these loans attracted an interest rate of 10% per month and have been repaid subsequent to the end of the financial year.

NOTE 25: FINANCIAL RISK MANAGEMENT AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments; however the Company uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Company.

The carrying value of the Company's and the Company's financial instruments are as follows:

| | 30 June 2016 | 30 June 2015 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 56,555 | 39,537 |
| Trade and other receivables | 3,479,432 | 47,877 |
| | 3,535,987 | 87,414 |
| Financial liabilities | | |
| Trade and other payables | 2,041,070 | 1,661,619 |
| Borrowings | 1,304,741 | 1,084,522 |
| | 3,266,161 | 2,746,141 |

The Company's principal financial instruments comprise cash, trade and other receivables. The Company has borrowings and a hire purchase liability for a motor vehicle and trade and other payables in the normal course of business.

The main purpose of these financial instruments is to fund the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company are cash flow (interest rate risk, liquidity risk and credit risk). The Board reviews and agrees policies for managing each of these risks and they are summarised below.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 25: FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

(a) Market risk

(i) Foreign exchange risk

The Company's exposure to foreign exchange risk arising from currency exposures is limited.

(ii) Cash flow and interest rate risk

The Company's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the Company to cash flow interest rate risk. The Company does not consider this to be material and has therefore not undertaken any further analysis of risk exposure.

(b) Credit risk

Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions.

The maximum exposure to credit risk at reporting date is the carrying amount of the trade and other receivables as summarised at the start of Note 25. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates.

Financial assets that are neither past due and not impaired are as follows:-

| | 30 June 2016 \$ | 30 June 2015 \$ |
|------------------------------------|--------------------|--------------------|
| Cash and cash equivalents | | |
| AA S&P rating | 56,555 | 39,537 |
| Trade and Other receivables | | |
| Unsecured | 3,479,432 | 47,877 |

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Company's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates. The Company does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The directors monitor the cash-burn rate of the Company on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

The Company raised funding from sophisticated investors during the last financial year of \$20,000 as well as receiving Research & Development Rebate for 2014/15 (\$1,482,137).

The Company will apply for a Research & Development rebate for 2015/16 financial year and raise further capital possibly through a rights entitlement issue. The Company will have adequate funding for its operations for the next twelve months.

The financial liabilities the Company had at reporting date were trade payables incurred in the normal course of the business and a hire purchase liability.

The following table sets out the carrying amount, by maturity, of the financial assets and liabilities:

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 25: FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

| Year ended 30 June 2016 | <1 year | 1 - 5 Years | Over 5 Years | Total contractual cashflows | Weighted average effective interest rate % |
|--------------------------------|------------------|----------------|-----------------|--------------------------------|---|
| Financial Assets: | | | | | |
| Cash and Cash equivalents | 56,555 | - | - | 56,555 | - |
| Trade and other Receivables | 3,479,432 | - | - | 3,479,432 | - |
| | <u>3,535,987</u> | <u>-</u> | <u>-</u> | <u>3,535,987</u> | |
| Financial Liabilities: | | | | | |
| Trade and other payables | 2,023,801 | - | - | 2,023,801 | - |
| Hire purchase liabilities | 23,066 | 79,650 | - | 102,716 | 5.3 |
| Borrowings | 1,202,025 | - | - | 1,202,025 | 34.73 |
| | <u>3,271,958</u> | <u>79,650</u> | <u>-</u> | <u>3,351,608</u> | |
| Year ended 30 June 2015 | | | | | |
| | <1 year | 1 - 5 Years | Over 5 Years | Total contractual cashflows | Weighted average effective interest rate % |
| Financial Assets: | | | | | |
| Cash and Cash equivalents | 39,537 | - | - | 39,537 | - |
| Trade and other Receivables | 47,877 | - | - | 47,877 | - |
| | <u>87,414</u> | <u>-</u> | <u>-</u> | <u>87,414</u> | |
| Financial Liabilities: | | | | | |
| Trade and other payables | 1,661,619 | - | - | 1,661,619 | - |
| Hire purchase liabilities | 23,066 | 92,575 | - | 115,641 | 5.3 |
| Borrowings | 876,307 | - | - | 876,307 | 100.00 |
| | <u>2,560,992</u> | <u>92,575</u> | <u>-</u> | <u>2,653,567</u> | |

(d) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The fair value of long term borrowings is not materially different from their carrying value.

The entity's principle financial instruments consist of cash and deposits with banks, accounts receivable, trade payables and loans payable. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 25: FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

(e) Capital risk

The Company determines capital to be the equity as shown in the statement of financial position plus net debt (being total borrowings less cash and cash equivalents).

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2016, the Company's strategy, which remains unchanged from 2014 and 2015, borrowed funds on a short-term basis to assist in its exploration activities. The company's equity management is determined by funds required to undertake its research & development activities and meet its corporate and other costs.

NOTE 26: SUBSEQUENT EVENTS

Subsequent to balance date, in relation to the Company's sale of the Doherty's gold project (M57/619) for \$4million (GST Inclusive), the Company received amounts \$550,000 in July and August 2016 of the amounts receivable.

On 29 September, the Company has entered into a Standby Subscription Agreement with Stock Assist Group Pty Ltd. Under this agreement, the Company has a facility to raise \$1,000,000 by issuing shares at 80% of 5 day VWAP. Under this facility there is an establishment fee of 6,000,000 shares to be issued.

There have been no other matters or circumstances that have arisen since 30 June 2016 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

NOTE 27: SHARE BASED PAYMENTS

Shares granted to creditors and advisers as share based payments during the year are as follows:

| Name | Grant Date | Vesting Date | Number of shares | Total Value | Expense |
|---------------------------|------------------|-------------------|--------------------------|------------------------|-------------|
| Greywood Holdings Pty Ltd | 20 February 2016 | 20- February 2016 | 8,000,000 | \$40,000 | Financing |
| Foskin Pty Ltd | 20 February 2016 | 20 February 2016 | 6,000,000 | \$30,000 | Financing |
| Namija Pty Ltd | 24 February 2016 | 24 February 2016 | 3,197,710 | \$12,791 | Financing |
| Steven Ogg | 29 June 2016 | 29 June 2016 | 1,000,000 | \$5,000 | Exploration |
| | | | <u>18,197,710</u> | <u>\$87,791</u> | |

NOTE 28: AUDITORS REMUNERATION

| | 30 June 2016 \$ | 30 June 2015 \$ |
|-----------------------|----------------------|----------------------|
| Auditors remuneration | 37,643 | 44,142 |
| Other services | - | - |
| | <u>37,643</u> | <u>44,142</u> |

NOTE 29: COMPANY DETAILS

The principal place of business of the Company is 71 Furniss Road, Landsdale WA 6065.

CLASSIC MINERALS LIMITED

ASX INFORMATION

AS AT 14 OCTOBER 2016

The following additional information is required by the ASX Limited in respect of listed public companies and was applicable at 14 October 2016.

1. Shareholding

| a. Distribution of Shareholders | Number | |
|---------------------------------|--------------|-----------------|
| | Shareholders | Ordinary Shares |
| Category (size of holding) | | |
| 1 – 1,000 | 18 | 1,226 |
| 1,001 – 5,000 | 4 | 16,704 |
| 5,001 – 10,000 | 128 | 1,251,205 |
| 10,001 – 100,000 | 332 | 16,043,800 |
| 100,001 – and over | 305 | 317,654,700 |
| | <hr/> | <hr/> |
| | 787 | 334,967,635 |

b. The number of shareholdings held in less than marketable parcels is 424 shareholders amounting to 11,614,474 shares.

c. As at 14 October 2016 there are no restricted shares

d. The names of substantial shareholders listed in the company's register as at 7 October 2016 are:

| Shareholder | Ordinary Shares | %Held of Total Ordinary Shares |
|---|-----------------|-----------------------------------|
| Sheldon Coates & Harvey Coates <Sheldon Coates S/F Account> | 16,875,000 | 5.04 |

e. Voting Rights

The voting rights attached to the ordinary shares are as follows:

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

CLASSIC MINERALS LIMITED

20 Largest Shareholders as at 14 October 2016 — Ordinary Shares

| | | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|----|--|--|--|
| 1 | Mr. SHELDON PHILIP COATES & MR HARVEY LARRY CHARLES COATES <SHELDON COATES S/F A/C> | 16,875,000 | 5.04 |
| 2 | GURINDJI PTY LTD <GURINDJI A/C> | 11,479,999 | 3.43 |
| 3 | GREYWOOD HOLDINGS PTY LTD | 11,000,000 | 3.28 |
| 4 | VIKING EQUITIES PTY LTD | 9,999,526 | 2.99 |
| 5 | Mr. DOMINIC VIRGARA | 8,700,000 | 2.60 |
| 6 | FOSKIN PTY LTD | 8,457,000 | 2.52 |
| 7 | NAMIJA PTY LTD | 8,333,806 | 2.49 |
| 8 | Mr. KOKO ZAW | 6,595,657 | 1.97 |
| 9 | STOCK ASSIST GROUP PTY LTD | 6,000,000 | 1.79 |
| 10 | Mr. KENNETH ALLEN | 5,039,400 | 1.5 |
| 11 | GREYWOOD HOLDINGS PTY LTD | 5,000,000 | 1.49 |
| 12 | ROBERT FLOREANI +YVONNE FLOREANI ATF <ROCHESTER CHAMBERS PTY LTD ACCOUNT> | 4,600,000 | 1.37 |
| 13 | CONRAY MICHAEL PASSARIS <PASSARIS FAMILY ACCOUNT> | 4,141,766 | 1.24 |
| 14 | ADAVEN PTY LTD <THE NEVADA ACCOUNT> | 4,000,000 | 1.19 |
| 15 | Mr BRETT GEORGE AND MRS KIM GEORGE | 3,835,417 | 1.15 |
| 16 | TARWARRI HOLDINGS PTY LTD | 3,650,597 | 1.09 |
| 17 | ETHERTON INTERNATIONAL LIMITED | 3,500,000 | 1.04 |
| 18 | Mr. STEVEN GEORGE OGG | 3,500,000 | 1.04 |
| 19 | Mr. ISSA BOULOS | 3,499,893 | 1.04 |
| 20 | MR NATHAN MANNING <THE MANNING FAMILY ACCOUNT> | 3,373,333 | 1.01 |
| | TOTAL | 131,581,394 | 39.28 |

2. **The name of the company secretary is Jeffrey Nurse.**
3. **The address of the principal registered office in Australia is: 71 Furniss Road, Landsdale, WA, 6065.**
4. **Registers of securities are held at the following address:
Advanced Share Registry Limited, 110 Stirling Highway, Nedlands WA 6009**

CLASSIC MINERALS LIMITED

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the ASX Limited.

6. **Unquoted Securities**

The Company has no unquoted securities as at 14 October 2016.

7. **The Company has no listed options as at 14 October 2016.**

8. **Use of Cash and Assets**

The Company used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives stated in the company's replacement prospectus dated 1 March 2013.

SCHEDULE OF MINERAL TENEMENTS AS AT 14 OCTOBER 2016

| <i>Project</i> | <i>Tenement</i> | <i>Interest held by Classic Minerals Limited</i> |
|----------------|-----------------|--|
| Fraser Range | E28/1904 | 100% |
| Cowarna Rocks | E28/2238 | 100% |
| Doherty's | M57/0619 | 100% |
| Skirmish | E69/3337 | 100% |
| Share Dam | E25/529 | 100% |