# ANNUAL REPORT 2017

VENUS METALS
CORPORATION LIMITED

ABN 99 123 250 582

# CORPORATE DIRECTORY

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# REVIEW OF OPERATIONS

## SUMMARY

During 2016-17, Venus Metals Corporation Ltd (VMC) carried out exploration works on its diverse portfolio of projects focusing mainly on base metals, cobalt, gold and lithium. The exploration activities are summarised below:

### Youanmi Pincher Well- Zinc-Copper Project

- Induced Polarisation ("IP") surveys (Phase 1 and Phase 2) were carried out at the Pincher Well North Dome area and southern extensions of North Dome area respectively.
- Reconnaissance phase-1 RC drilling of eight holes for a total of 980 metres over the Pincher Well North Dome IP anomaly were completed and seven drill holes intercepted a high-grade Zinc mineralisation at shallow depth.
- Phase-2 drilling completed and assays in progress.

### Youanmi Gold Project

- Historical data review identified number of drill holes with high-grade gold intersections at three exploration target locations within Pincher Hill area and at two additional exploration targets at Youanmi North area. These gold targets are found within Youanmi shear at Youanmi north and structural playas from the main Youanmi shear at Pincher Hill area.

### Sandstone Gold Project:

- Aboriginal heritage Clearance Survey followed by reconnaissance RAB drilling of 79 holes to a total depth of 1671m was completed.
- The assay results confirm the occurrence of significant gold mineralisation at shallow depth in selected VTEM anomaly areas which warrant additional RC drilling to test this mineralisation to depth.

### Currans Well Cobalt-Nickel-Copper-PGE Project:

- Analysis of historical drill hole data at Currans Well revealed thick intersections of cobalt mineralisation within shallow Ferruginous Laterites/Duricrust cover and numerous historical drill hole samples have not been assayed for Cobalt.
- A Programme of Work approval was obtained from the Department of Mines, Industry Regulation and Safety (DMIRS) for reconnaissance RAB drilling at Currans Well.

### Poona Lithium-Tantalum Project:

- Initial RC drilling of 9 holes for 781m was carried out at Poona. One RC hole at Poona East intersected significant lithium mineralisation from the surface.

### Greenbushes East Lithium Project:

- A broad potassic rich target area (>9 $km^2$) has been identified from regional radiometric data, and is located southeast of Talison Lithium's world-class Greenbushes Lithium-Tantalum mine. VMC is planning to conduct reconnaissance geological mapping and sampling followed by RAB/RC drilling.

**Pilgangoora-Wodgina Lithium Project:**

- Recent interpretation of regional geophysical data (aeromagnetic & radiometric) over Pilgangoora East and Wodgina South has identified a number of potassic-rich, pegmatite target areas.
- Lithium Australia NL (under MoU) is currently conducting a detailed geological mapping and surface sampling to refine the target locations at Pilgangoora East and Wodgina South tenements.

**Curara Well Gold-Base Metals Project:**

- Initial drilling of 5 RC holes totaling 961m depth followed by diamond tailing of selected 3 RC holes (DMP Exploration Incentive Scheme Co-funded drilling) totaling 361.9m depth were completed at the Curara Well. Three RC drill holes (in Phase1 drilling) intercepted ultramafic stratigraphy (serpentinised Peridotites) carrying disseminated nickel sulphides. Millerite (Nickel Sulphide) with accessory Pentlandite, Pyrrhotite and traces of Chalcopyrite were identified from two drill holes through Ore Petrography study.
- Interpretation of diamond tail assays and petrography studies were carried out.

Venus currently has 22 granted Exploration Licences, 3 Prospecting Licences and 1 Retention Licence and pending 6 Exploration Licence Applications (ELA) in Western Australia.

**1. YOUANMI PINCHER WELL- ZINC-COPPER PROJECT**

The Pincher Well VMS Trend is located 600km north-northeast of Perth and forms part of Venus Metals Corporation Ltd's ('Venus') Youanmi gold & base metal project. The tenements (E57/986 & E57/1019) hosting the trend are situated 15 km southwest of the Youanmi Gold Mine and processing plant.

The Pincher Dome VMS Trend covers more than 5 kilometres of strike and hosts a number of known zinc and copper prospects including the Linda & Franca Gossans, PW17 zinc discovery and a substantial body of zinc mineralisation at North Dome.

- An Induced Polarisation (IP) survey has identified significant shallow 'up-dip' extensions, to the south, of the known North Dome mineralisation *(ASX release 28 October 2016)*. A higher chargeability zone up to 15mV/V was reported in two southernmost east-west lines which remain open to the south.
- Reconnaissance Phase1 drilling of eight RC drill holes for a total of 980 metres over the IP anomaly which confirmed the presence of the significant wide intercepts of zinc mineralisation within the shallow 'up-dip' extensions of the North Dome zinc-copper prospect (Figure1). Seven drill holes intercepted a high-grade Zinc mineralisation at shallow depth. Better intercepts include:

**VPW40 10m @ 7.31% Zinc from 52 m**
**including 6m @ 9.5% Zinc from 55 m**
**1m@ 15% Zinc from 56m**
**VPW62 10m @ 5.1% Zinc from 68 m**
**VPW60 7m @ 4.2% Zinc from 87 m** *(refer ASX release 27 April 2017)*

- Phase 2 IP survey in North Dome was carried out on 2 east-west directed survey lines (6821500mN and 6821300mN) each covering a total length of 2.1 km. The chargeability recorded in line 6821500N is stronger than the previous IP survey results and extends the anomaly 400m to the south (Figure 2). The modelled anomaly remains open further to the south, potentially extending the target envelope of 1km strike and 250m width *(refer ASX release 29th May 2017)*.
- Phase-2 RC drilling has been completed and assays are in progress.

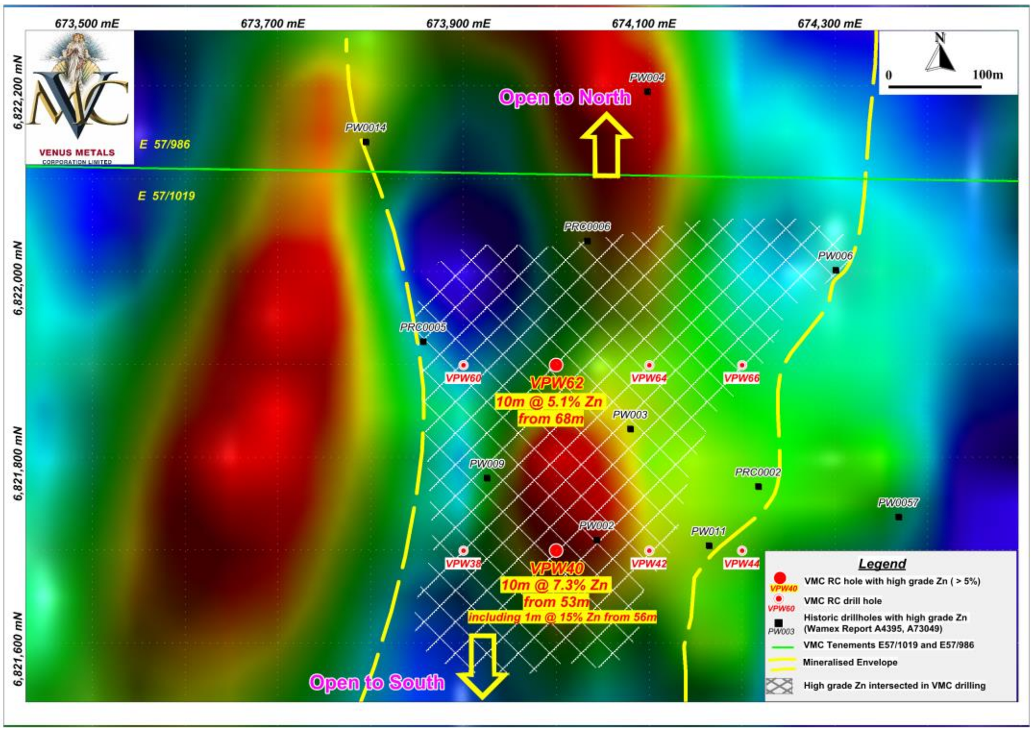



**Figure 1.VMC drill holes with significant high grade Zn intercepts (>5% Zn) shown on regional aeromagnetic map**

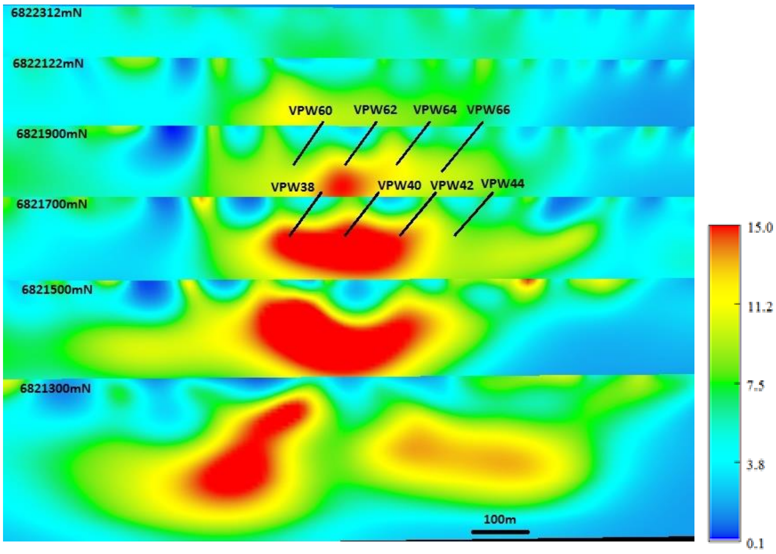



**Figure 2. 3D Model of IP Phase 1 and Phase 2 survey lines showing high chargeability**

**2. YOUANMI GOLD PROJECT**

The Youanmi Shear Zone is located 600km north-northeast of Perth and forms part of Venus Youanmi gold & base metal project. The Venus tenements, E57/986, E57/1019, E57/1018 and E57/985 cover the 26km of the Youanmi Shear Zone. This highly prospective, gold rich, structural trend runs entirely within the Venus tenement package, on the Youanmi Greenstone Belt in the Yilgarn Craton of Western Australia. The Youanmi region is well serviced by significant infrastructure associated with historical mining operations in the region including those at Windimurra, Youanmi and Sandstone.

- A recent historical data review had identified three major highly potential gold targets (Pincher North, Pincher Hill and Pincher South) at Pincher Hill and two additional gold targets (Youanmi North 1 & 2) within the Venus Youanmi tenements E57/986, E57/1019 and E57/985 respectively (Figure 3). All the historical drill holes with more than 1 g/t Au are presented in Figures 4 and 5.The best-high grade gold intersections at Pincher North, Pincher Hill and Pincher South include:

    - **PWP577 6m @ 11.15g/t Au from 36m including 2m @23g/t Au from 38m**
    - **PWP 393 3m @ 10.43g/t Au from 56m including 2m@12.8g/t Au from 56m**
    - **PW 096 1m @ 26.3 g/t Au from 5m and 2m @ 18.45 g/t of Au from 16m**
    - **PW 026 2m @ 6.0 g/t Au**
    - **PW0062 2.71m @ 5.60g/t Au from 128.78m**

  The best gold intersections in historical drill holes at Youanmi North 1& 2 include:

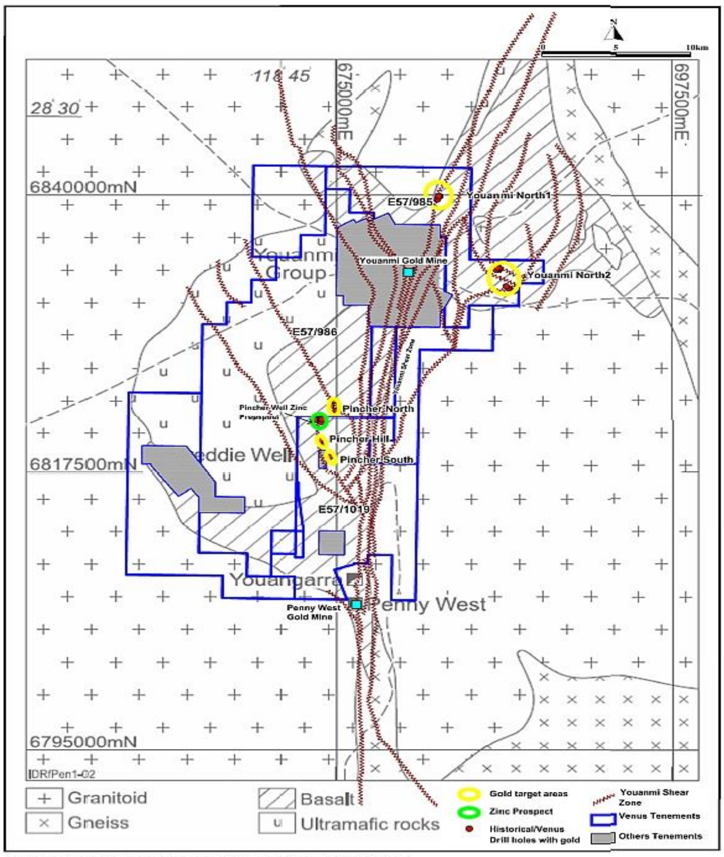
    - **YUR391 8m @ 1.31 g/t Au form 48m including 4m@1.98g/t Au from 48m**
    - **YUR044 4m@1.85g/t Au from 16m including 1m @ 3.11g/t Au from 19m**

  Few RC holes recently drilled at Pincher Well Zinc prospect also shown gold values >1g/t

*(Refer ASX release 25th August 2017)*

- Pincher Hill is located between the Youanmi Gold Mine (667,000 oz @ 5.4 g/t Au) and high-grade Penny West Gold Mine (150,000 oz @ 22g/t Au) discovered in 1990 - the mineralised zone at Penny West occurs in a quartz vein commonly less than 3m wide. These high-grade gold targets identified at Youanmi, including Pincher Hill, are interpreted to occur on structural splays from the main Youanmi Shear, similar to that hosting the high-grade Penny West gold deposit. In 1984, geological knowledge of structural gold settings at Pincher Hill was limited and no follow up work was undertaken on these prospects.

- The highly prospective gold targets provide a major extension to the exploration work currently being conducted at Pincher Well high grade Zinc Project.




Source map: Modified from Nigel et al, 2003,Penny West Gold Deposit, Youanmi, CRC LEME publication

**Figure 3. Location of Youanmi high grade gold targets**

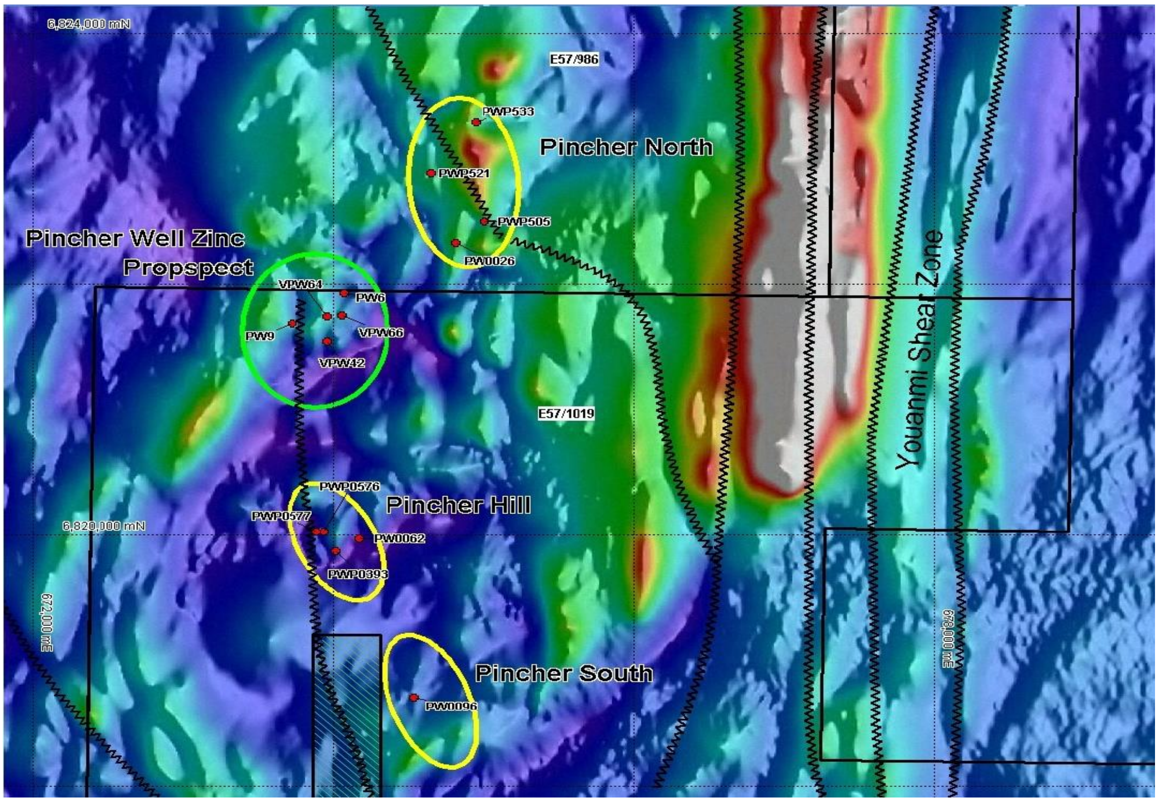



**Figure 4. Location of historical drill holes with gold mineralisation and target areas at Pincher Hill shown on regional aeromagnetic anomaly image**

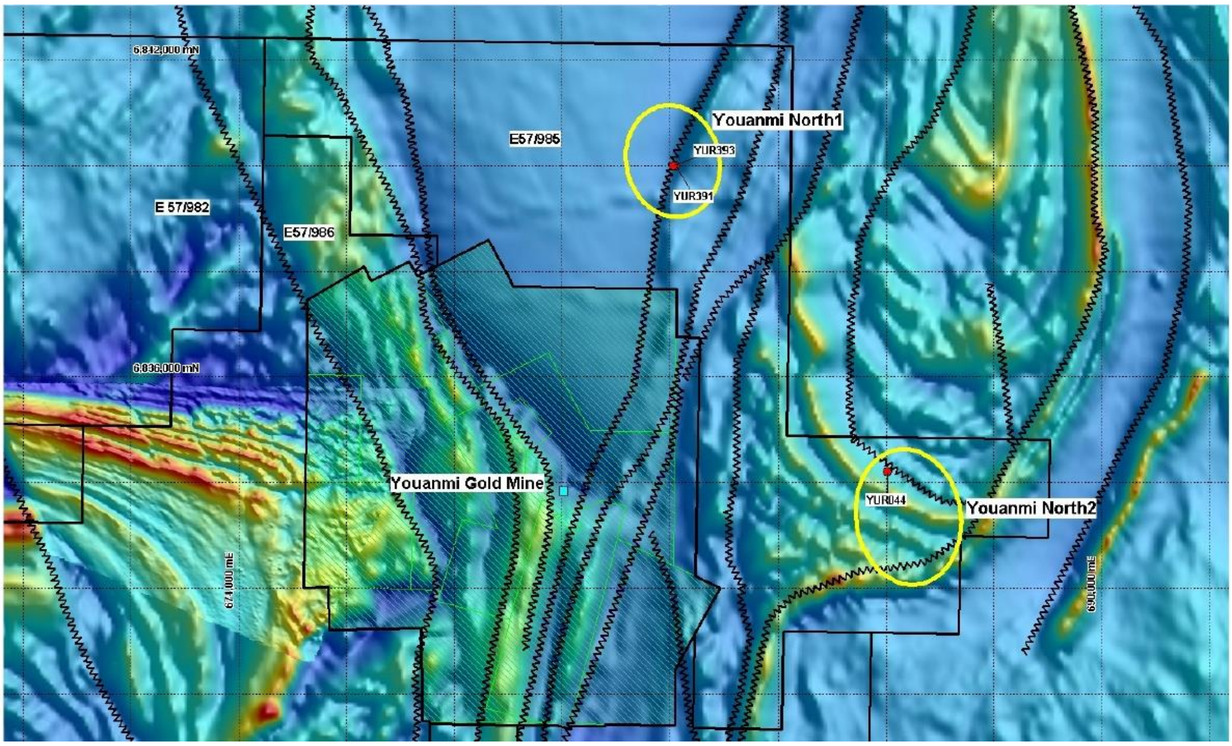



**Figure 5. Location of historical drill holes with gold mineralisation and target areas at Youanmi North shown on regional aeromagnetic anomaly image**

### 3. SANDSTONE GOLD PROJECT:

VMC Sandstone Gold Project (E57/984) covers over 200 km2 of the Sandstone greenstone belt, 23 km to the southwest of the town of Sandstone in Western Australia. The Sandstone region has produced in excess of 1.5 million ounces of gold and is well serviced by mining and regional infrastructure.

- An Aboriginal Heritage Clearance Survey was carried out and clearances were obtained from Wutha Group prior to the drilling. A PoW was approved by DMIRS for carrying out RAB/RC and Diamond drilling.
- RAB drillhole depths ranging between 6m and 48m targeted 7 anomalous zones identified from VTEM survey *(refer ASX releases 18th June and 25th September 2015)*.
- Out of the 79 RAB holes drilled (total depth of 1671m), 20 holes returned anomalous Au values; 2 RAB holes gave values greater than 1 g/t and 6 other drill holes had Au values > 0.5g/t at variable shallow depths. The best intercepts include:

  4m @ 2.21 g/t Au from 13m including 1m @ 3.98 g/t from 13m (BCR 246);

  3m @ 1.03 g/t Au from 6m (BCR 26);

  3m @ 0.96 g/t Au from surface and 3m @ 0.81 g/t Au from 6m (BCR 7) and

  2m @ 0.70 g/t Au, 7.6 g/t Ag from 8m (BCR 271 B) *(refer ASX release 31st July 2017)*

Geologically, gold (Au) mineralisation appears to be associated with structurally controlled medium to coarse-grained metagabbro as well as banded, ferruginous, meta-chert units. Preliminary analysis of the assay results shows the potential extensions of the historically known resources. The assay results confirm the occurrence of gold mineralisation at shallow depth in selected VTEM anomaly areas which warrant additional RC drilling to test the mineralisation at depth.

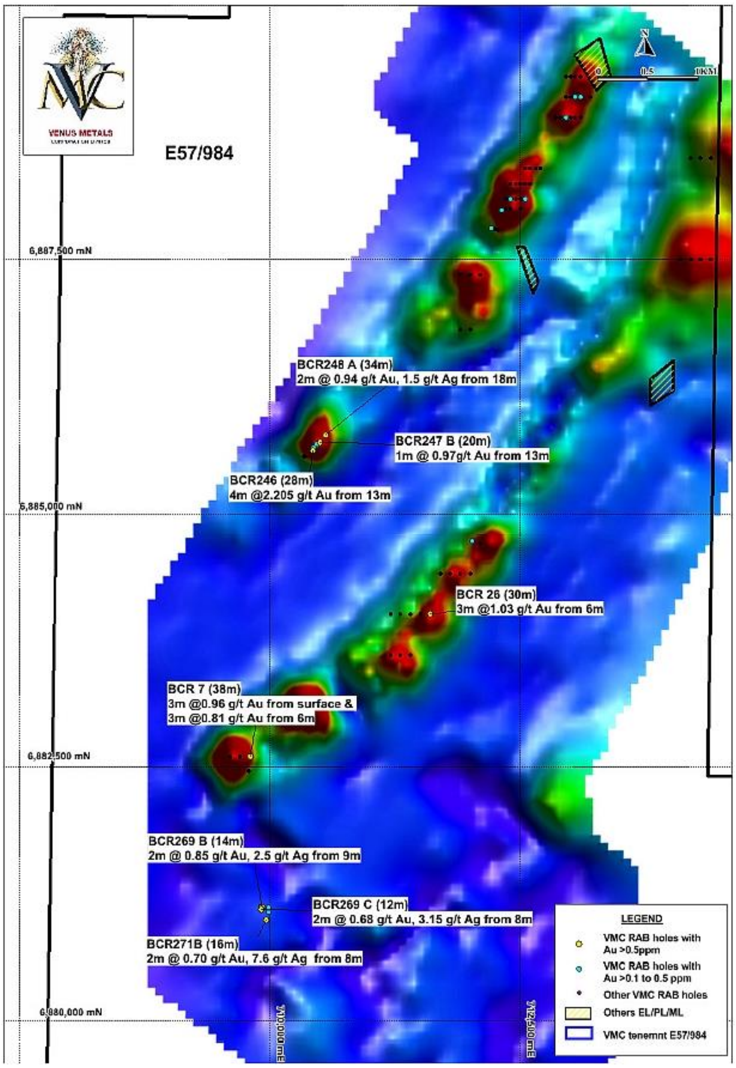



**Figure 6. Location of shallow RAB holes with gold mineralisation shown on VTEM conductivity map**

## 4. CURRANS WELL COBALT-NICKEL-COPPER-PGE PROJECT:

The Currans well area (E57/1011) overlies a structurally complex wedge on the southern margin the Youanmi greenstone belt and gabbro's of the Youanmi intrusion. The area hosts a number of Nickel-Copper-PGE prospects including Vidure, Merlot and Malbec. Substantial areas of ferruginous lateritic duricrust, mottled zone and upper saprolite overlie, and potentially mask the subsurface nickel-copper mineralisation at Currans Well.

The geological settings at Currans Well can be comparable with the Clean TeQ Holdings Limited (ASX:CLQ) "Syerston Cobalt Project" where the surficial deposit hosted is within lateritic stratigraphy, overlying metal rich ultramafic rocks.

- A review of historical data at Currans Well area has revealed thick intersections of Cobalt mineralisation in drill holes and elevated Cobalt in surface sampling.
- Several historical surface grab samples have recorded more than200 ppm cobalt, with a peak Cobalt value of 1490 ppm reported for a grab sample CW014 collected from Malbec Prospect (Figure 7).
- The geological setting (Cobalt mineralisation in weathered lateritic layer overlying metal rich ultramafic rocks) can be correlated across the Currans Well area.

The best intersections in historical drill holes include:

| | |
|---|---|
| **CWRC025** | **16m @ 869 ppm (0.09%) Cobalt from 16 metres** |
| | **Including 4m @ 1483 ppm (0.15%) Cobalt** |
| | *Assays of Cu 0.25% & Ni 0.28% downhole. |
| **MYOV151** | **2.13 m@ 980 ppm (0.10%) Cobalt from 0.3 metres** |
| | *Assays of Cu up to 0.77% & Ni 1.12% downhole. |
| **94CUR0041** | **5m @ 586 ppm (0.06%) Cobalt from 17metres and** |
| | **6m @ 552 ppm (0.06%) Cobalt from 26 metres** |
| | *Assays of Cu up to 0.23% & Ni 0.22% downhole. |

*(refer ASX release 3rd April 2017)*

- Numerous historical drillhole samples have not been assayed for Cobalt.
- Cobalt mineralisation associated with anomalous Copper and Nickel in the ‘near surface environment’ and is interpreted to be related to secondary enrichment associated with lateritic processes and the presence of elevated base and specialty metals (such as Cobalt) in the underlying source rocks, namely the ultramafic stratigraphy.
- The extensive outcrop of these untested Ferruginous Laterites and duricrusts, which overlie mineralised ultramafic rocks are presented in Figure 8. These units have been identified over an area covering more than 150km2 and include the outcrop at Currans Well, Manindi East and Pincher Well. These potentially Cobalt enriched lateritic duricrusts represent a compelling target and an exploration program is presently being developed by Venus Metals to systematically test the lateritic duricrust by utilising shallow RAB drilling.
- A Programme of Work (PoW) was approved by DMIRS for RAB/RC drilling at Currans Well (Malbec, Merlot and Vidure prospects).

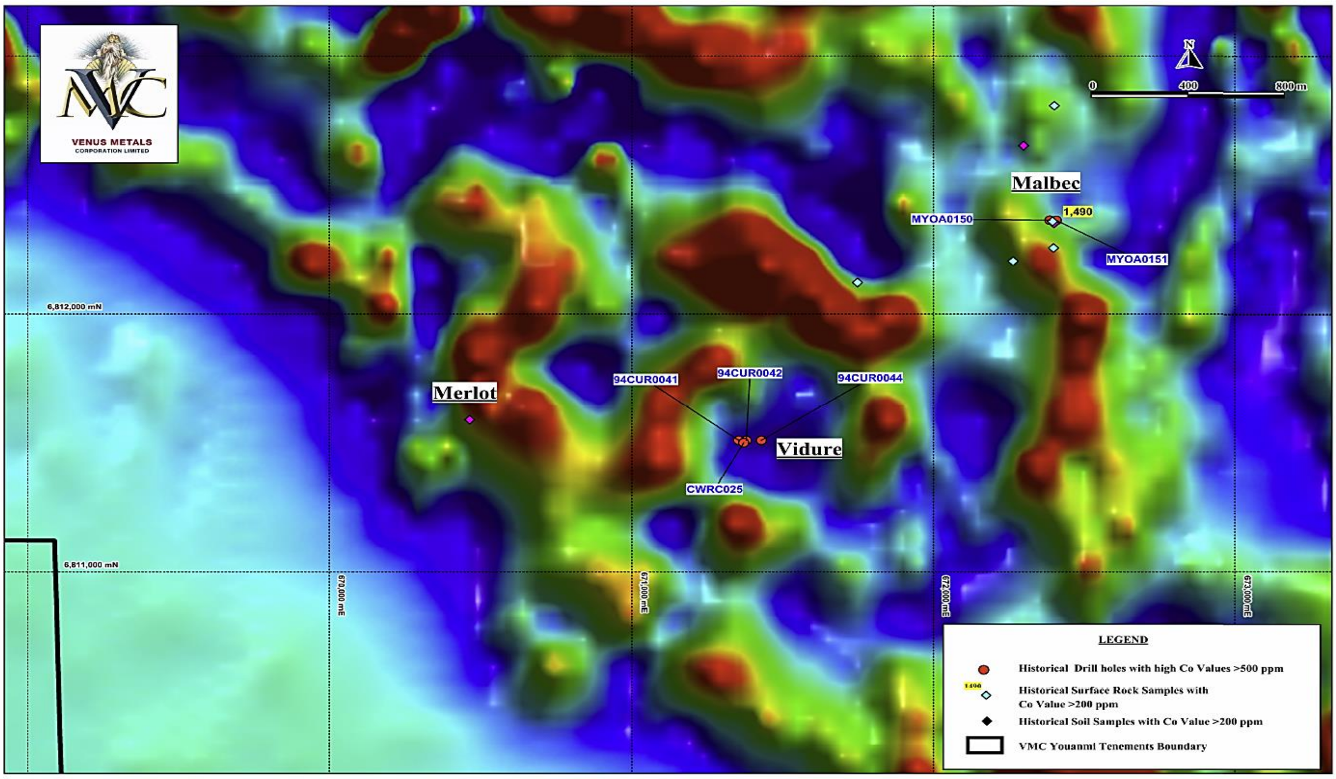



**Figure 7. Historical drill holes and surface samples with high Co values are shown on regional aeromagnetic anomaly image**

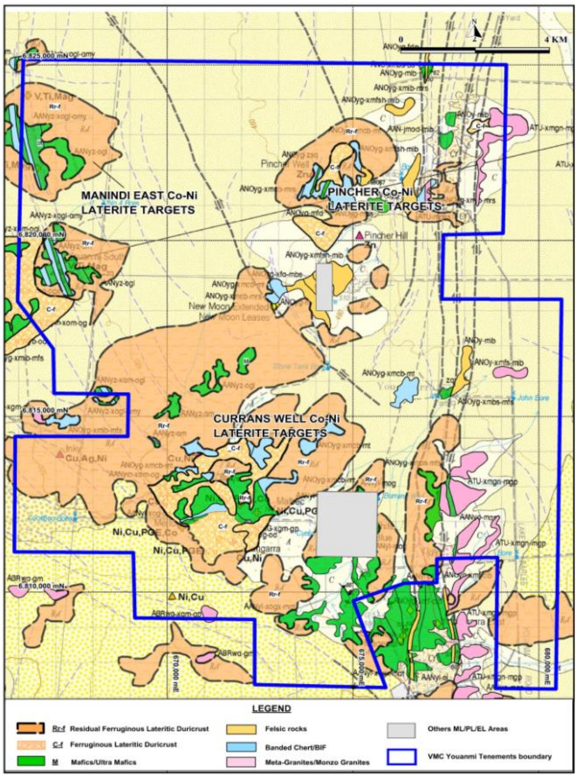



**Figure 8. Extensive Lateritic Duricrust Co-Cu-Ni Target Areas shown on GSWA 100k Geology Map**

### 5. LITHIUM –TANTALUM PROJECTS

Venus Metals Corporation Limited (Venus) has exploration licences over five strategic lithium-tantalum project areas in Western Australia - the Pilgangoora Northeast, Wodgina South projects in the Pilbara, the Nardoo Well project in the Capricorn, the Poona Project in the Murchison and the Greenbushes project in the Southwest of Western Australia (Figure 9).


**Figure 9. Venus Metals Lithium-Tantalum project locations in Western Australia.**

## 5.1 Poona Lithium Project

The Poona is located in the Murchison Mineral Field, approximately 560 km to the north-northeast of Perth. The two exploration licenses (E 20/885 & ELA 20/896) cover more than 249 $km^2$ and the tenement area overlies a number of known lithium and tantalum occurrences including Patons Lode and Poona Reward (Figure 10).

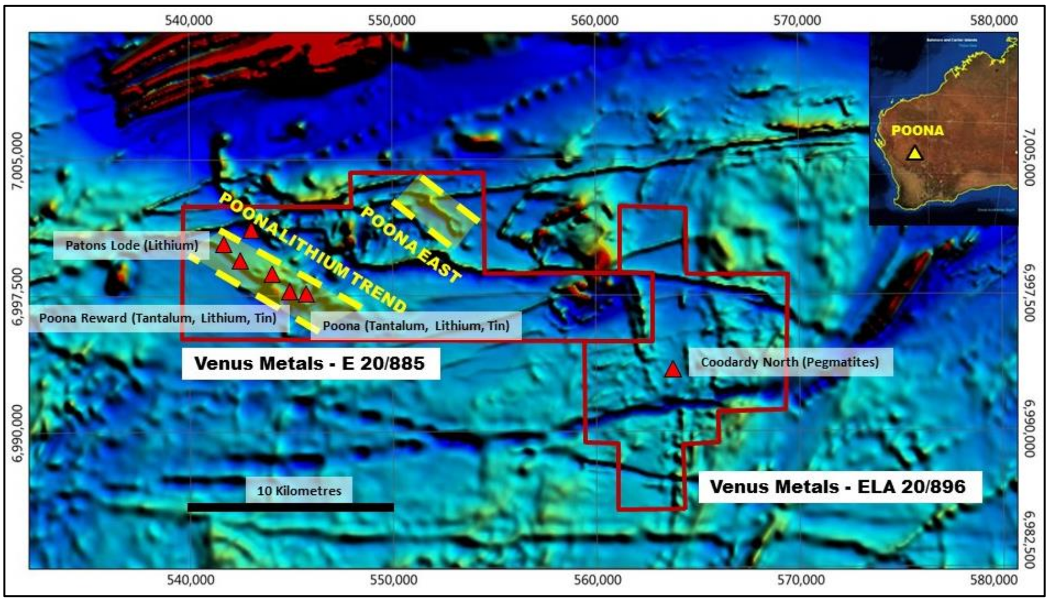



**Figure 10. Poona tenement areas (red) & prospect locations and mineralised trend (yellow) over regional geophysics – Poona East prospect northeast of main Poona Lithium Trend.**

- Venus Metal's had completed a reconnaissance RC drilling on two key target areas within the Poona lithium project, namely the Poona East and Poona Lithium Trends, which has intersected anomalous lithium mineralisation. The lithium-rubidium mineralisation is hosted by pegmatite and associated intrusive stratigraphy.

  **Poona East:** Three RC holes (PORC 001-003) were drilled (Figure 11) along the northwest-southeast structural trend, with mineralisation associated with intrusive pegmatite. Previous surface sampling had returned high grade lithium assays of up to 2.58% Li2O *(refer ASX Release, 6 October 2016)*. Drilling consistently intersected anomalous lithium mineralisation (>0.1% Li2O) in the near surface environment, including:

  **PORC002 9 metres @ 0.77% Li2O & 0.28% Rb from Surface**

  **Including 3 metres @ 0.96% Li2O & 0.35% Rb from 3 metres**

  *(refer ASX Release, 23 November 2016)*

  Reconnaissance RC drilling confirms that the Poona East Trend extends over more than 1,000 metres, may extend to over 250 metres in width, and remains untested along strike. Analysis of the drilling data indicates that the subsurface orientation of the pegmatite mineralisation is such that it has not been properly tested by this initial phase of drilling.

  **Poona Trend (10 km strike length)**: Six RC holes (PORC 004-009) were drilled on the southern extents of the Poona Lithium Trend (Figure 11), in areas that had previously returned high-grade lithium assays at surface. These drill holes returned anomalous lithium mineralisation (>0.1% Li2O) *(refer ASX Release, 23 November 2016)* in both the near surface environment and at depth. Further analysis of the exploration data is required prior to infill and extensional drilling being undertaken along the Poona Trend.

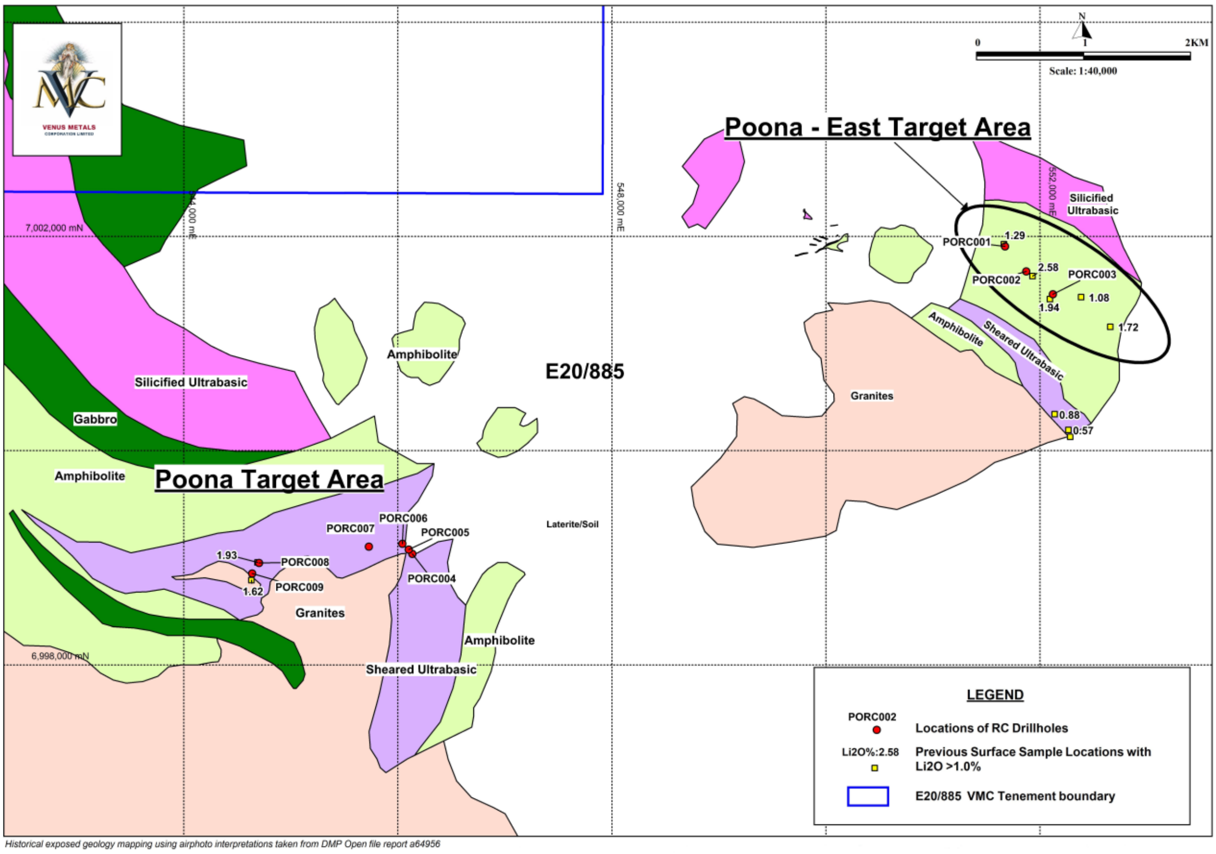



**Figure 11. Location of Reconnaissance RC drill holes and previous surface samples with >1% Li2O shown on Geology Map**

### 5.2 Greenbushes East Lithium Project:

Venus ELs cover an area of adjacent to, and east of, the world-class Greenbushes Lithium-Tantalum mine. The tenement areas contain outcropping pegmatitic stratigraphy, the host rock for lithium-tantalum mineralisation in the region. An evaluation of Venus Metals Greenbushes project has delineated a number of priority targets within the tenement area.

- A broad potassic rich area (>9 km$^2$) has been identified from regional radiometric data, and is located southeast of Talison Lithium's world-class Greenbushes Lithium-Tantalum mine (Figure12).
- A NW trending major fault is interpreted to be controlling Lithium-Tantalum mineralisation at the Greenbushes Li-Ta mine and extends into the potassium-rich target area in E70/4810.
- VMC is planning to conduct reconnaissance geological mapping and sampling followed by RAB/RC drilling.

*(refer ASX releases 7th July 2016 and 26th June 2017)*

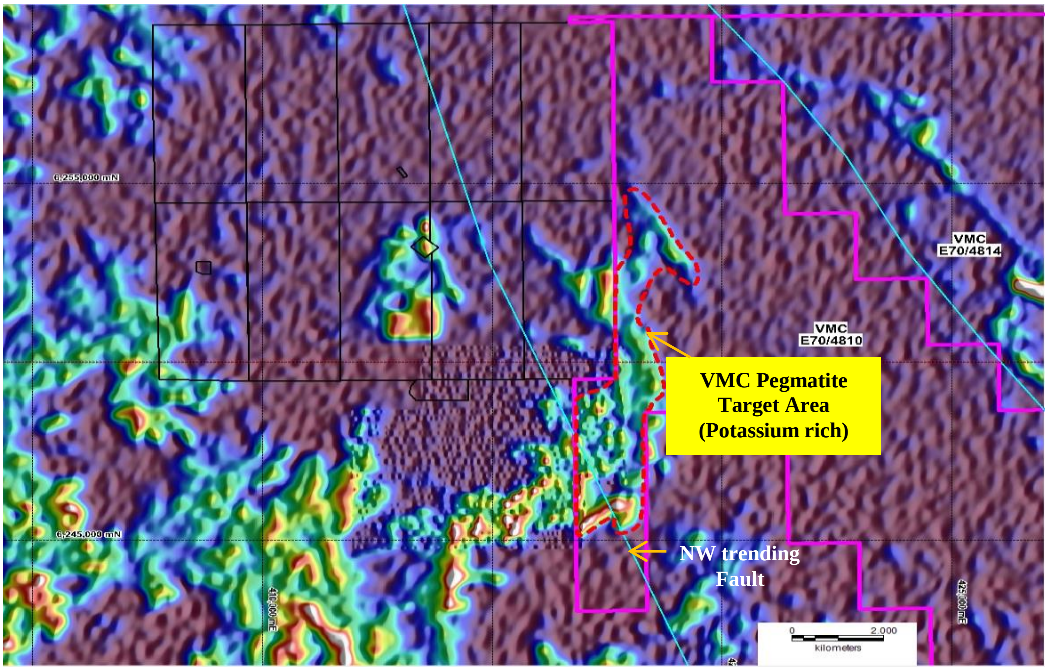



**Figure 12. VMC Greenbushes East Lithium Pegmatite Target Areas (interpreted from Regional Radiometric data)**

### 5.3 Pilgangoora East-Wodgina South Lithium Project:

The Pilgangoora Northeast Project (E45/4630 & E45/ 4684) now covers over 350km2 and is located 72km to the southeast of Port Headland in the Pilbara region of Western Australia and lies to the northeast of Pilbara Minerals Pilgangoora project area which hosts a substantial lithium-tantalum resource. Initial reconnaissance survey by Venus, shows the presence of extensive granitic and pegmatitic stratigraphy (in particular two large target areas) with strong spatial similarities to the lithium-tantalum mineralisation reported by Dakota Minerals Ltd at Lynas Find. *(ASX releases 11 July 2016 and 9 September 2016).*

The Wodgina South (Stannum) Project is composed of two tenements (E45/4627 and P45/3004) covering more than 100 km2. The project is located 98 km to the south of Port Headland. The tenement areas contain outcropping pegmatitic stratigraphy, the host rock for lithium-tantalum mineralisation in the region. Geological mapping and reconnaissance sampling across three identified target areas has returned a significant number of surface samples hosting anomalous lithium oxide ($Li_2O$) up to 0.66% associated with pegmatites and their host stratigraphy *(refer ASX release 11 July 2016).*

- Recent interpretation of regional geophysical data (aeromagnetic & radiometric) over Pilgangoora East and Wodgina South has identified a number of potassic-rich, pegmatite target areas.
- A significant potassic-rich trend, identified from radiometric data covering Pilgangoora East (E45/4630), has an identical signature to the Lithium-Tantalum bearing pegmatites held by Pilbara Minerals and other explorers in the region (Figure 13).
- Several new target areas were delineated from analysis of the magnetic data at Wodgina South (E45/4627& P45/3004) (Figure 14).
- Lithium Australia NL (under MoU) is currently conducting a detailed geological mapping and surface sampling to refine the target locations at Pilgangoora East and Wodgina South tenements *(refer ASX release 26th June 2017)*.

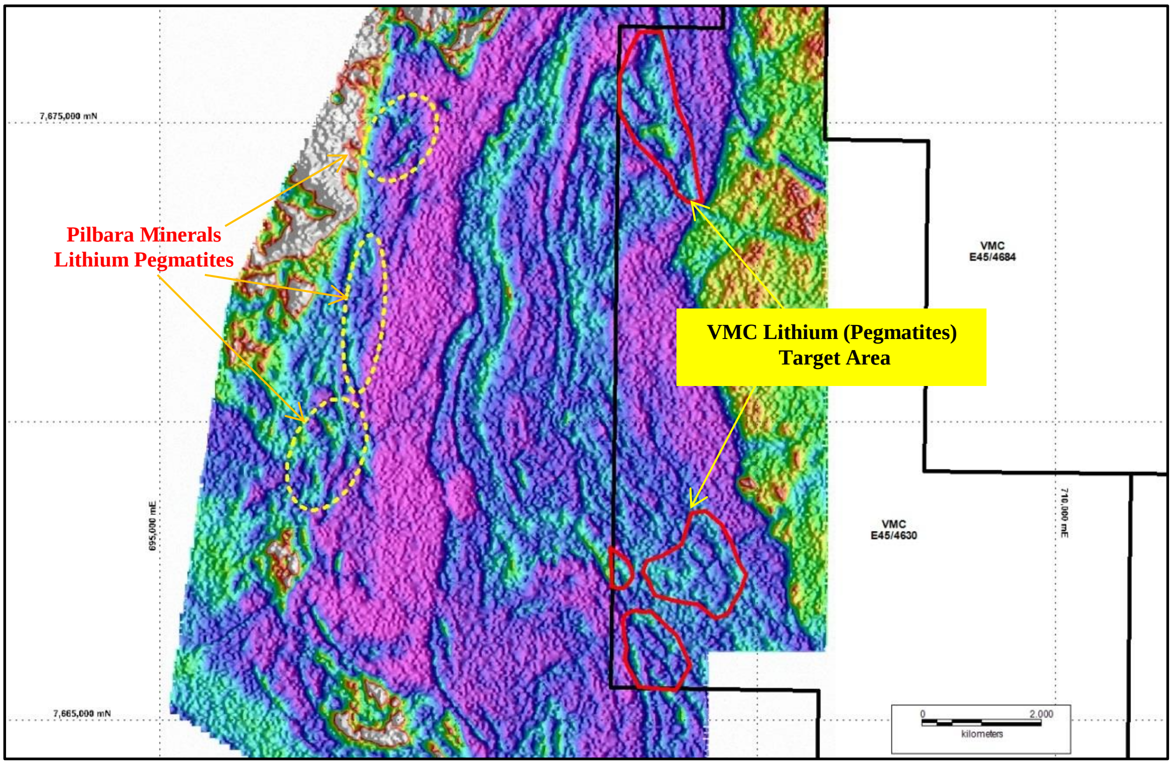



**Figure 13. VMC Pilgangoora East Lithium Pegmatite Target Areas (Potassium rich trends interpreted from Regional Radiometric data)**

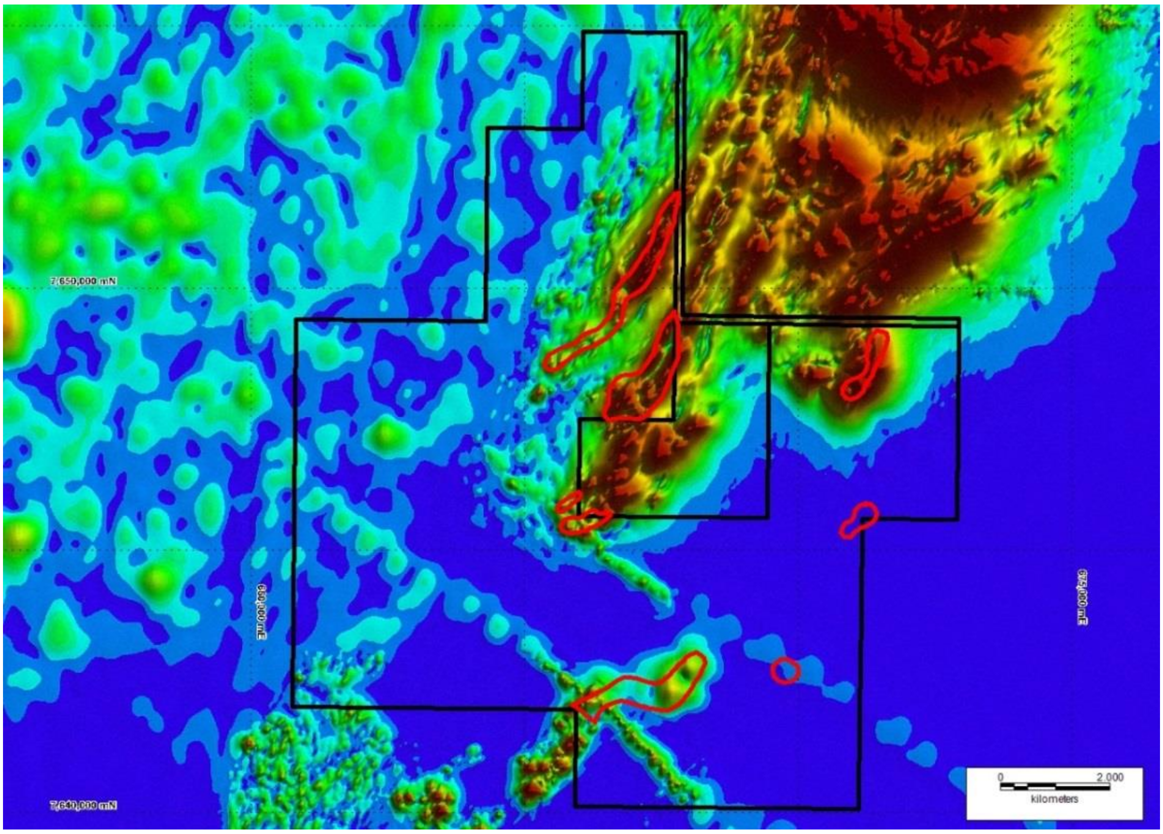



**Figure 14. VMC Wodgina South Lithium Pegmatite Target Areas (interpreted from aeromagnetic anomaly map)**

### 6. CURARA WELL BASE METALS-GOLD PROJECT

Venus holds three granted tenements (E52/3068, 3069 & 3320) and 5 applications (ELA 52/ 3486-3489 and ELA 52/3564) covering its Doolgunna project in Western Australia. These tenements cover over 120km$^2$ of the Marymia Inlier and are located approximately 10km NE of Sandfire Resources high-grade DeGrussa Copper Mine (Figure 16).

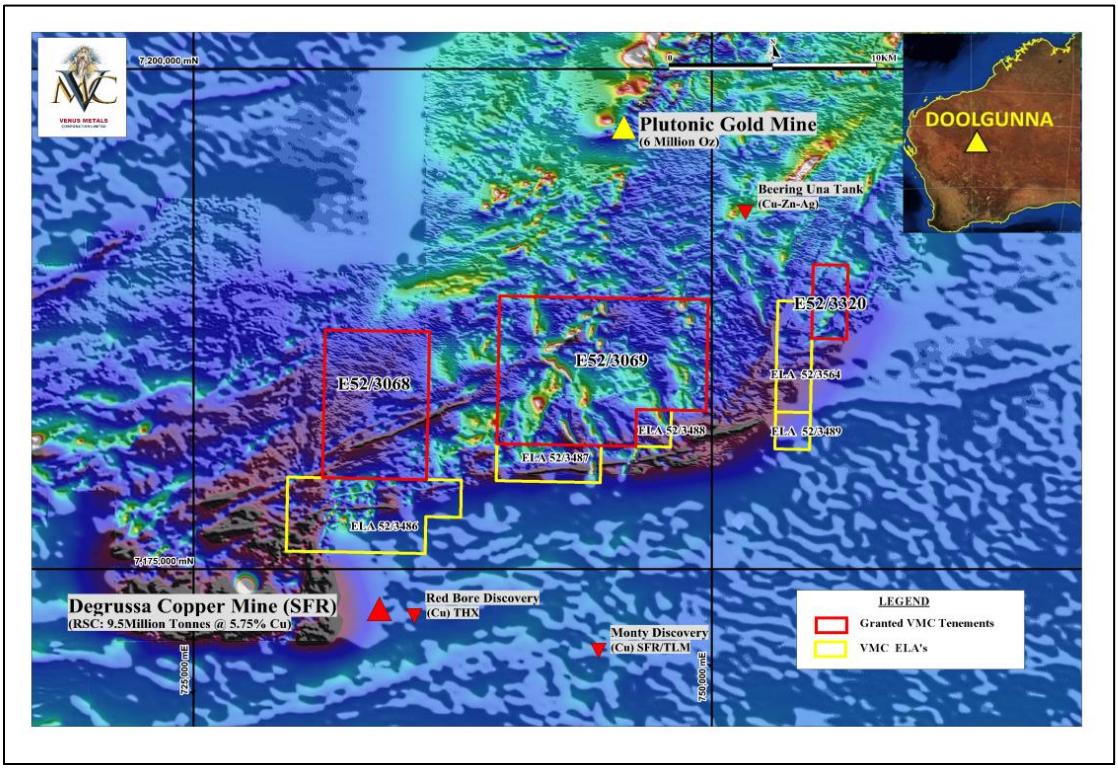



**Figure 16. VMC Doolgunna tenements shown on regional aeromagnetic image**

- Five RC drill holes (Phase-1) were drilled for a total 961m on selected three prospective geophysical (pipe-like) targets delineated from 3D modelling of the magnetic data and electromagnetic ('VTEM') surveying *(refer ASX release 14 October 2015)*. Drilling was completed in the last quarter of 2016 and the drill hole locations are shown in Figure 17.
- The main lithological units in phase1 drilling intersected in drill holes include several metres of thick mafic/serpentinised ultramafic formations below over thrust granites, numerous 1-6m wide interlayered magnetite-rich units and undifferentiated granitoids. Fine disseminated sulphides were visible within a number of intercepts, associated with thick ultramafic zones in three drill holes (CWRC002, CWRC003 and CWRC005) in two different targets (S1 and S2 in Figure 17).

  The assay results include:

| | |
|---|---|
| **CWRC002** | **39 metres @ 0.16% Nickel from 54 to 93 metres,** |
| **CWRC003** | **54 metres @ 0.15% Nickel from 165 to 219 metres &** |
| | **9 metres @ 0.14% Nickel from 225 to 234 metres,** |
| **CWRC005** | **84 metres @ 0.16% Nickel from 78 to 162 metres.** |

*(refer ASX release 23 January 2017)*

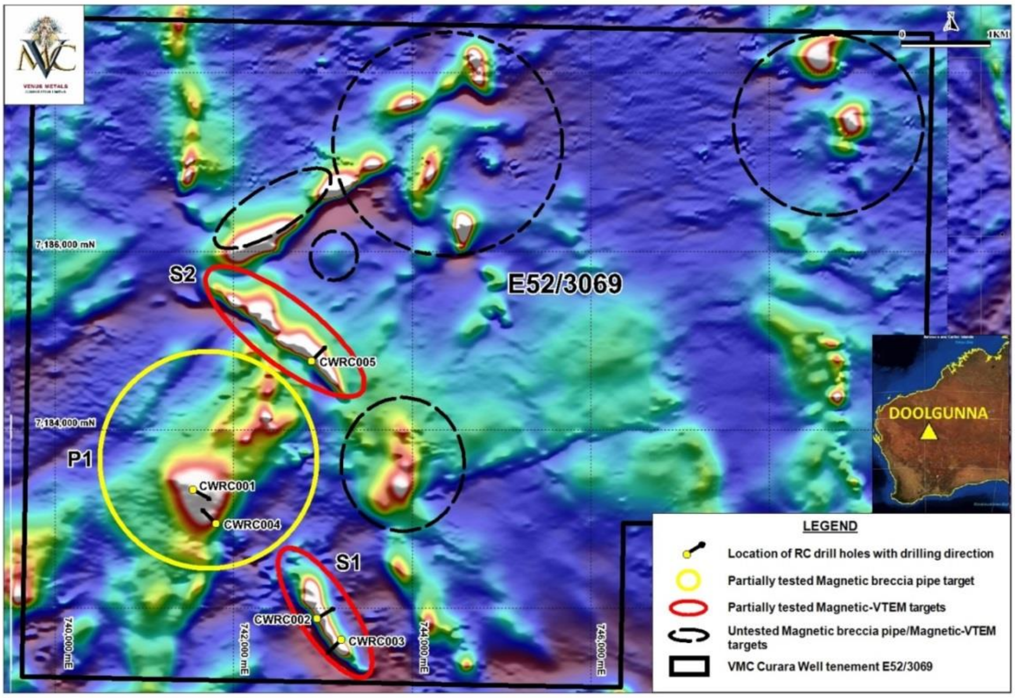



**Figure 17. Location of 5 RC drill holes and target areas shown on detailed aeromagnetic image**

- The petrographic study undertaken by Dr Roger Townend (Townend Mineralogical Laboratory) identified these ultramafic rocks as altered peridotites (with pleochroic phlogopite, prismatic tremolite and chlorite - olivine is mainly replaced by talc serpentine). Significantly, the ore petrography study has identified Millerite (Nickel Sulphide), with accessory Pentlandite, Pyrrhotite and traces of Chalcopyrite in RC chip samples from two drill holes (CWRC003 and CWRC005) located 3 km apart (Figure 17).
- Dr Townend has commented that "the mineralisation has some resemblance to the Mt Keith nickel deposit from the north-east goldfields of WA. The mineralised Mt Keith rocks are completely serpentinised ultramafic cumulates. They are a high tonnage low grade (0.6% Ni) deposit in which Millerites can form up to 20% of the ore body, with Pentlandite the main nickel mineral".
- The nickel assays appear to reflect the widespread presence of Millerite (Pentlandite) throughout the serpentinised Peridotites.
- Recently three RC drill holes (CWRC001, CWRC003 and CWRC005) were diamond tailed (Phase-2) totaling 361.9m depth, using DMP co-funding grant to test extend of sulphide mineralisation. The core samples (composited for 2-3m and selected 1m samples) were assayed at Intertek Lab. Interpretation of diamond tail assays and petrography studies were carried out.

**7. YOUANMI BASE METALS PROJECT- INKY SOUTH PROSPECT**

Venus Metals Corporation Ltd ('Venus') tenements (E 57/983 & 986) are located 600km NNE of Perth and form part of the company's Youanmi base & precious metals project, in Youanmi greenstone belt in Western Australia. Two reconnaissance RC drill holes (VMC007 and VMC008) were drilled for total 318m depth at Inky South target area (to test the strong off-hole conductor reported below historical diamond drill hole SYMD007) *(refer ASX release 30th January 2017)*. Several layers of undifferentiated mafic rocks were intersected below 68m depth, with schists and pegmatite veins in drill hole VMC007. No anomalous assays were recorded.

**Competent Person's Statement**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr T. Putt of Exploration & Mining Information Systems, who is a member of The Australian Institute of Geoscientists. Mr Putt has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Putt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report has also been prepared by Mr Kumar Arunachalam, who is a Member of The Australasian Institute of Mining and Metallurgy and a full-time employee of the Company. Mr Arunachalam has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Arunachalam consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Forward-Looking Statements**

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Venus Metals Corporation Limited planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Venus Metals Corporation Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

# DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2017.

## DIRECTOR

The names of Directors in office during the financial year and until the date of this report are as follows.

Selvakumar Arunchalam was appointed as Chief Executive Officer on 31 March 2017.

Directors were in the office for this entire period unless otherwise stated.

Matthew Vernon Hogan
Selvakumar Arunachalam
Terence William Hogan

## COMPANY SECRETARY

Matthew Hogan (resigned 31 March 2017)
Dean Calder (appointed 31 March 2017)

## PRINCIPAL ACTIVITIES

The principal activities of the Group during course of the financial year were the exploration of mineral tenements in Western Australia.

There were no other significant changes in the nature of the activities of the Group during the year.

## OPERATING RESULTS

The loss of the Group amounted to $1,841,800 (2016: loss of $916,769).

## DIVIDENDS PAID OR RECOMMENDED

No dividend has been declared or paid by the Company and the Directors do not, at present, recommend a dividend.

## REVIEW OF OPERATIONS

For details on the Review of Operations refer to pages 2 to 17.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Group that occurred during the financial year.

## EVENTS SUBSEQUENT TO REPORTING DATE

On 4th September 2017, the Group completed a private placement of 6,800,000 fully paid ordinary shares to professional and sophisticated investors at an issued price of $0.10 per share to raise approximately $680,000 before costs. Funds raised under the placement will be used for:

- Exploration at various gold targets at the Youanmi High Grade Gold Project;
- Exploration at Youanmi Currans Cobalt Project; and
- General working capital purpose

The Company issued 6,800,000 shares under the Company's 15% placement capacity pursuant to ASX listing Rule 7.1. Accordingly, the placement has been made without shareholder approval.

The shares issued under the placement are fully paid ordinary shares in the Company ranking equally with existing shares.

Apart from the capital raising there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affair of the Group, in the future financial years.

## LIKELY DEVELOPMENTS

Other than likely developments contained in the "Review of Operations", further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

## ENVIRONMENTAL REGULATION

There were no known significant breaches of the Group's licence conditions or any environmental regulations to which it is subject.

## DIRECTORS' MEETINGS

| Director | Number eligible to attend | Number attended |
|---|---|---|
| Matthew Hogan | 13 | 13 |
| Selvakumar Arunachalam | 13 | 13 |
| Terence Hogan | 13 | 13 |

# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS

**Matthew Vernon Hogan**
Non-Executive Chairman (appointed 31 March 2017)
Managing Director (resigned 31 March 2017)

**Qualifications**
MAICD

**Experience**
Mr Matthew Hogan until February 2010 was the Chief Executive Officer of United Minerals Corporation NL (UMC), which successfully discovered the Railway direct shipping iron ore deposit in the Central Pilbara. In February 2010 UMC was acquired by BHP Billiton for $204m through a scheme of arrangement.

Mr Hogan has over 25 years' experience in the stockbroking industry and was closely involved in bringing a number of company listings to the ASX, the underwriting of shareholder entitlement issues and corporate placements.

Mr Hogan has previously worked in the business services division of international accounting firm Ernst & Young.

**Relevant Interest in Shares and Options as at the date of this report**
180,000 ordinary shares.
1,500,000 options ex-price 25c expiring 30/11/2019.

**Directorships Held in Other Listed Entities**
In the past three years Mr M Hogan has not held directorships in any ASX listed companies.

**Selvakumar Arunachalam**
Chief Executive Officer (appointed 31 March 2017)
Executive Director

**Qualifications**
MAusIMM M.Sc (Geology), M.Tech (Hydrogeology), PG Dip in Geothermal Tech (NZ), Dip in Science (GIS) (NZ)

**Experience**
Mr Selvakumar Arunachalam has over 30 years' experience in geology in India, New Zealand and Australia.

Mr Arunachalam until February 2010 was also an employee of United Minerals Corporation NL.

**Directorships Held in Other Listed Entities**
In the past three years Mr Arunachalam has not held directorships in any ASX listed companies.

**Relevant Interest in Shares and Options as at the date of this report**
175,000 ordinary shares and 1,000,000 options ex-price 25c expiring 30/11/2019.

**Terence William Hogan OAM**
Non-Executive Director (appointed 31 March 2017)
Non-Executive Chairman (resigned 31 March 2017)

**Qualifications**
B.Ec. (UWA), FCPA

**Experience**
Mr Terence Hogan was engaged in the stockbroking industry for more than 47 years. He is the past Chairman of the former Perth Stock Exchange.

Mr Hogan is a past Chairman and Director of various public companies and past Chairman of various Anglican agencies.

**Directorships Held in Other Listed Entities**

During the past three years Mr T Hogan has not been a director of any ASX listed companies.

**Relevant Interest in Shares and Options as at the date of the report**

500,000 options ex-price 25c expiring 30/11/2019.

1,700,000 options ex-price 20c expiring 30/11/2019.

6,458,502 ordinary shares.

**Dean Calder**
Company Secretary (appointed 31 March 2017)

**Qualifications**
CA, B.Bus, Chartered Secretary

**Experience**
Dean Calder is a qualified Chartered Accountant who has over 25 years' experience. Mr Calder completed a Bachelor of Business degree in 1988 with a double major in Accounting and Business Law. He qualified as a Chartered Accountant in 1992 and after spending 8 years working for international accounting firms, he commenced public practice as a partner in a West Perth accounting firm in 1997. Mr Calder is also a Chartered Secretary and has sat on various ASX listed Company boards in recent years.

**Directorships Held in Other Listed Entities**
In the past three years Mr Calder has not held directorships in any ASX listed companies.

**Relevant Interest in Shares and Options as at the date of this report**

Mr Calder does not have any relevant interest in shares or Options in the company as at the date of this report.

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each Director of the Group and for the Executives receiving the highest remuneration.

### Remuneration Policy

The Group's policy for determining the nature and amount of remuneration and amount of emoluments for Board members of the Company is as follows:

The Group's remuneration policy for Executive Directors is designed to promote superior performance and long term commitment to the Group. Executives received a base remuneration which is market related.

The remuneration policy, setting the terms and conditions for the Executive Directors and other Senior Executives, was developed by the Board after seeking professional advice from independent external consultants.

The Board's policy reflects its obligation to align Executives' remuneration with Shareholders' interests and to retain appropriately qualified Executive talent for the benefit of the Group. The main principles of the policy are:

- reward reflects the competitive market in which the Group operates;
- individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Executives are also entitled to participate in the employee share and option arrangements.

The Executive Director and Executives receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits.

### Group Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of Directors and Executives to encourage the alignment of personal and Shareholders' interests.

### Employment Agreements

Remuneration and other terms of employment are formalised in employment agreements.

### M V Hogan – Managing Director (Resigned 31 March 2017)

- Term of agreement – commenced 15 March 2010
- Base salary of $250,000 per annum plus superannuation
- Provision of four weeks annual leave
- May be terminated by Mr Hogan by giving to the Company one months' notice in writing
- May be terminated by the Company by giving 12 months' notice in writing to Mr Hogan
- Effective 1 July 2013 Mr Hogan agreed to reduce his annual salary to $280,000 plus superannuation.
- In January 2016 Mr Hogan agreed to reduce his salary to $200,000 per annum plus superannuation for 6 months starting from 1 January 2016 to 30 June 2016.
- Effective 1 July 2016 the base salary was $250,000 per annum plus superannuation until further review after three months.
- Effective 1 December 2016 the base salary was reduced to $175,000 per annum plus superannuation.

### Non-Executive Chairman (Appointed 31 March 2017)

- Terms of agreement commenced 31 March 2017
- Base salary of $25,000 per annum plus superannuation
- Provision of four weeks annual leave
- May be terminated by Mr Hogan or by the company giving one months' notice in writing

### S Arunachalam – Chief Executive Officer (Appointed 31 March 2017)
### Executive Director/General Manager

- Updated Term of agreement – commenced 31 March 2017
- Base salary of $175,000 per annum plus superannuation
- Provision of four weeks annual leave
- May be terminated by Mr Arunachalam or by the Company by giving one months' notice in writing

### Non-Executive Directors

Fees to Non-Executives Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' remuneration consists of set fee amounts and statutory superannuation. Directors' base fees are presently up to $30,000 per annum.

Non-Executives Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2010 AGM, is not to exceed $250,000 per annum. There is no provision for retirement allowances for Non-Executive Directors apart from statutory superannuation. Non-Executive Directors are eligible to be granted options to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Group.

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) (continued)

### Details of Remuneration for the year ended 30 June 2017 and 30 June 2016

| | | Short Term | | Post-employment | Share-based payments | | S300A(1)(e)(i) Proportion of remuneration performance related |
|---|---|---|---|---|---|---|---|
| | Year | Salary & Fees | Non-monetary benefits | Superannuation Contribution | Options | Total | |
| | | $ | $ | $ | $ | $ | % |
| **Key Management Person (Directors)** | | | | | | | |
| Matthew Vernon Hogan | 2017 | 219,629 | 11,543 | 16,031 | 47,131 | 294,334 | - |
| | 2016 | 240,000 | 21,563 | 18,387 | 11,660 | 291,610 | - |
| Selvakumar Arunachalam | 2017 | 154,167 | 3,557 | 14,646 | 31,421 | 203,791 | - |
| | 2016 | 120,000 | 3,443 | 11,225 | 11,660 | 146,328 | - |
| Terence William Hogan | 2017 | 22,500 | - | 2,138 | 15,710 | 40,348 | - |
| | 2016 | 35,000 | 3,443 | 3,275 | 6,997 | 48,715 | - |
| **Total** | **2017** | **396,296** | **15,100** | **32,815** | **94,262** | **538,473** | |
| **Total** | **2016** | **395,000** | **28,449** | **32,887** | **30,317** | **486,653** | |

# DIRECTORS' REPORT

### REMUNERATION REPORT (Audited) (continued)

## Options awarded and vested during the year

**Terms and Conditions for each Grant during the year**

| Key Management Person (Directors) | Year | Awarded No. | Award date | Fair value per option at award date ($) | Exercise price ($) | Expiry date | No. Unvested during the year | No. vested during the year |
|---|---|---|---|---|---|---|---|---|
| Matthew Vernon Hogan | 2017 | 1,500,000 | 30/11/2016 | 0.05 | 0.25 | 30/11/2019 | 750,000 | 750,000 |
| | 2016 | - | - | - | - | - | - | 250,000 |
| Selvakumar Arunachalam | 2017 | 1,000,000 | 30/11/2016 | 0.05 | 0.25 | 30/11/2019 | 500,000 | 500,000 |
| | 2016 | - | - | - | - | - | - | 250,000 |
| Terence William Hogan | 2017 | 500,000 | 30/11/2016 | 0.05 | 0.25 | 30/11/2019 | 250,000 | 250,000 |
| | 2016 | - | - | - | - | - | - | 150,000 |
| **Total** | **2017** | **3,000,000** | **30/11/2016** | **0.05** | **0.25** | **30/11/2019** | **1,500,000** | **1,500,000** |
| | **2016** | **-** | **-** | **-** | **-** | **-** | **-** | **650,000** |

## Options lapsed during the year

| Key Management Person (Directors) | Year | Awarded No. | Award date | Fair value per option at award date ($) | Exercise price ($) | Expiry date | No. lapsed during the year |
|---|---|---|---|---|---|---|---|
| Matthew Vernon Hogan | 2017 | 500,000 | 1/10/2014 | 0.12 | 0.20 | 30/11/2016 | 500,000 |
| | 2016 | - | - | - | - | - | - |
| Selvakumar Arunachalam | 2017 | 500,000 | 1/10/2014 | 0.12 | 0.20 | 30/11/2016 | 500,000 |
| | 2016 | - | - | - | - | - | - |
| Terence William Hogan | 2017 | 300,000 | 1/10/2014 | 0.12 | 0.20 | 30/11/2016 | 300,000 |
| | 2016 | - | - | - | - | - | - |
| **Total** | **2017** | **1,300,000** | **1/10/2014** | **0.12** | **0.20** | **30/11/2016** | **1,300,000** |
| | **2016** | **-** | **-** | **-** | **-** | **-** | **-** |

## Value of options held by key management personnel, exercised and lapsed during the year

For details on the valuation of the options, including models and assumptions used, please refer to note 17.

There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) (continued)

### Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Venus Metals Corporation Limited held, directly, indirectly or beneficially, by key management persons, including their related parties, is as follows:

| | Balance 1 July 2016 | Granted as compen-sation | Exercised | Net change Others[(1)] | Held at 30 June 2017 | Vested during the year | Vested and exercisable at 30 June 2017 |
|---|---|---|---|---|---|---|---|
| **Directors and CEO** | | | | | | | |
| M V Hogan | 1,860,000 | 1,500,000 | - | (1,860,000) | 1,500,000 | 750,000 | 750,000 |
| S Arunachalam (CEO) | 587,500 | 1,000,000 | - | (587,500) | 1,000,000 | 500,000 | 500,000 |
| T W Hogan | 3,171,250 | 500,000 | - | (1,471,250) | 2,200,000 | 250,000 | 1,950,000 |
| | **5,618,750** | **3,000,000** | **-** | **(3,918,750)** | **4,700,000** | **1,500,000** | **3,200,000** |

| | Balance 1 July 2015 | Granted as compen-sation | Exercised | Net change Others[(1)] | Held at 30 June 2016 | Vested during the year | Vested and exercisable at 30 June 2016 |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| M V Hogan | 2,499,501 | - | (184,500) | (455,001) | 1,860,000 | 250,000 | 1,860,000 |
| S Arunachalam | 587,500 | - | - | - | 587,500 | 250,000 | 587,500 |
| T W Hogan | 3,171,250 | - | - | - | 3,171,250 | 150,000 | 3,171,250 |
| | **6,258,251** | **-** | **(184,500)** | **(455,001)** | **5,618,750** | **650,000** | **5,618,750** |

(1) Other changes represent options that were acquired, expired, transferred or were forfeited during the year.

### Shareholdings of key management personnel

The movement during the reporting period in the number of shares in Venus Metals Corporation Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| | Held at 1 July 2016 | Acquired | On exercise of options | Other change[(1)] | Held at 30 June 2017 |
|---|---|---|---|---|---|
| **Directors and CEO** | | | | | |
| M W Hogan | 4,396,545 | - | - | (4,216,545) | 180,000 |
| S Arunachalam (CEO) | 175,000 | - | - | - | 175,000 |
| T W Hogan | 5,742,500 | - | - | 716,002 | 6,458,502 |
| | **10,314,045** | **-** | **-** | **(3,500,543)** | **6,813,502** |

| | Held at 1 July 2015 | Acquired | On exercise of options | Other change[(1)] | Held at 30 June 2016 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| M W Hogan | 4,027,045 | 285,000 | 184,500 | (100,000) | 4,396,545 |
| S Arunachalam | 175,000 | - | - | - | 175,000 |
| T W Hogan | 5,742,500 | - | - | - | 5,742,500 |
| | **9,944,545** | **285,000** | **184,500** | **(100,000)** | **10,314,045** |

(1) Other change represents on and off-market trade

End Remuneration Report

# DIRECTORS' REPORT

### Shares issued on exercise of Options

During the year 38,070 shares were issued on exercise of options and 8,300,000 shares were issued on placement. 36,849,491 options were issued during the year.

34,018,491options expired during the year.

## OPTIONS

At the date of this report unissued shares of the Company under option are:

| Expiry date | Exercise price | Number of shares |
|---|---|---|
| **Director and Employee Options** | | |
| 30-Nov-2019 | $0.25 | 3,000,000 |
| | | **3,000,000** |
| **Non-Employee Options** | | |
| 30-Nov-2019 | $0.30 | 2,400,000 |
| 30-Nov-2019 | $0.20 | 31,449,491 |
| | | **33,849,491** |
| **Total** | | **36,849,491** |

These Options do not entitle the holder to participate in any share issue of the Company.

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

### Indemnification

The Company has agreed to indemnify the following current directors of the Company, Mr T W Hogan, Mr M V Hogan and Mr S Arunachalam against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

### Insurance premium

Since the end of the previous financial year the Company has paid insurance premiums of $9,612 in respect of directors' and officers' liability insurance for current directors, including senior executives of the Company. The insurance premiums relate to:

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

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

## ENVIRONMENTAL LIABILITIES

There were no environmental liabilities at the date of this report.

## NON-AUDIT SERVICES

During the year there were no non-audit services provided by the Group's auditor, Stantons International.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 25 and forms part of the Director's Report for the financial year ended 30 June 2017.

This report is made with a resolution of the Directors.

Kumar Arunachalam
Executive Director
Perth, Western Australia

28 September 2017

Stantons International Audit and Consulting Pty Ltd
trading as
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28 September 2017

Board of Directors
Venus Metals Corporation Limited
Level M, BGC Centre,
28 The Esplanade.
PERTH WA 6000

Dear Directors

**RE: VENUS METALS CORPORATION LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Venus Metals Corporation Limited.

As Audit Director for the audit of the financial statements of Venus Metals Corporation Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

**Martin Michalik**
**Director**

# CORPORATE GOVERNANCE STATEMENT

## Approach to Corporate Governance

The Group has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition (**Principles & Recommendations**), the Group has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Group's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Group's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

Further information about the Group's corporate governance practices may be found on the Group's website at www.venusmetals.com.au, under the section marked "Group - Corporate Governance".

The Group reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2016/2017 financial year (**Reporting Period**).

## Board

### Principle 1 – Lay Solid Foundations for Management and Oversight

***Recommendation 1.1***

The Group has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

***Recommendation 1.2***

The Board undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The checks which are undertaken, and the information provided to shareholders are set out in the *Group's Policy and Procedure for the Selection and (Re) Appointment of Directors* which is disclosed on the Group's website.

***Recommendation 1.3***

The Group has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Group has entered into with any director or senior executive has been disclosed in accordance with ASX Listing Rule 3.16.4.

***Recommendation 1.4***

The Group Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the *Board Charter*.

***Recommendation 1.5***

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the whole organisation as at 30 June 2017 was as follows:

| | |
|---|---|
| Women employees in the whole organisation | 38% |
| Women in Senior Executive positions | 0% |
| Women in the Board of Directors | 0% |

The Board acknowledges the absence of female participation on the Board of Directors. However, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

# CORPORATE GOVERNANCE STATEMENT

***Recommendation 1.5 (continued)***

The Group has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Group, the Board does not deem it practical to limit the Group to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

***Recommendation 1.6***

The Chair is responsible for the performance evaluation of the Board and, when deemed appropriate, the Board committees and individual directors.

Each of the directors (including the Chair) completes a questionnaire and the Chair discusses the responses to the questionnaire with the Board on a round-table basis. The Chair is reviewed on this basis by the rest of the Board.

During the Reporting Period, an evaluation of the Board, its committees and individual directors took place in accordance with the process disclosed above.

***Recommendation 1.7***

The Chair is responsible for evaluating the performance of the Group's Chief Executive Officer.

The evaluation is conducted at the time of the executive's annual remuneration review and involves an interview with the Chair to discuss performance against the Chief Executive Officer's contract with the Group. The Chair also evaluates the performance of the Chief Executive Officer on an ongoing basis via informal discussions about performance.

During the Reporting Period a performance evaluation of the Chief Executive Officer took place in accordance with the process disclosed above.

## Principle 2 – Structure the Board to Add Value

***Recommendation 2.1***

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a nomination committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Group's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board, in its capacity as the Nomination Committee, has not held any meetings during the Reporting Period.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. A copy of the Nomination Committee Charter is available on the Group's website

***Recommendation 2.2***

The mix of skills and diversity for which the Board is looking to achieve in its membership is represented by the Board's current composition.

Set out below are details of the members of the Board during the Reporting Period and their specific skills:

Mr Terence Hogan (Non-executive Director)

Corporate finance – experience in strategy and business development, commercial acumen, executive leadership

Mr Matthew Hogan (Non-executive Chairman)

Corporate finance – experience in project identification and acquisition, strategy and business development, commercial acumen

Mr Kumar Arunachalam (Executive Director/CEO)

Geologist – experience in planning and managing mineral exploration projects.

# CORPORATE GOVERNANCE STATEMENT

***Recommendation 2.3***

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations. During the Reporting Period, the sole independent director of the Group was Terence Hogan. Mr Hogan has been a non-executive director since 2007.

The Board has considered Mr Hogan's independence, and notwithstanding his length of service on the Board, the Board considers that Mr Hogan is sufficiently independent because he is not a member of management, he is free of any business or other relationship that could materially interfere with the independent exercise of his judgement and consistently makes decisions that are in the best interests of the Group, Accordingly, the Board considers Mr Hogan to be an independent director.

The length of service of each director is set out in the Directors' Report.

***Recommendation 2.4***

The Board does not have a majority of directors who are independent. The Board considers that it's composition is appropriate for the Group's circumstances and includes an appropriate mix of skills and expertise relevant to the Group. The Group gives consideration to the balance of independence on the Board, and will continue to review its composition.

***Recommendation 2.5***

During the Reporting Period, the Group did not have an independent Chair. The non-independent Chair of the Board is Matthew Hogan. The Board believes that Mr Hogan is the most appropriate person for the position of Chair because of his industry experience and knowledge. Mr Hogan's recent employment with the Group in an executive capacity is the only factor that precludes him from being considered independent. The Board believes that Mr Hogan makes decisions that are in the best interests of the Group.

The Chief Executive Officer of the Group is Mr Kumar Arunachalam.

***Recommendation 2.6***

The Group has not appointed any new directors since July 2011. Given the size of the Group there is no formal induction process for new directors. The Board considers that if any new director is to be appointed, that new director will be provided with a personalized induction dependent upon the skills, experience and knowledge of the Group that the new director possesses.

## Principle 3 – Act Ethically and Responsibly

***Recommendation 3.1***

The Group has established a Code of Conduct as to the practices necessary to maintain confidence in the Group's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Group's Code of Conduct is available on the Group website.

## Principle 4 – Safeguard Integrity in Corporate Reporting

***Recommendation 4.1***

The Board has established an Audit Committee and adopted an Audit Committee Charter which describes the role, composition functions and responsibilities of the Audit Committee.

The member of the Audit Committee are the Company's two non-executive directors, Terence Hogan (Chair) and Matthew Hogan and the Company Secretary, Dean Calder.

The Audit Committee has only recently been established. Previously, the full Board performed the function of the Audit Committee and two meetings were held during the Reporting Period.

All members of the Audit Committee consider themselves to be financially literate and have an understanding of the industry in which the Group operates.

# CORPORATE GOVERNANCE STATEMENT

***Recommendation 4.1 (Continued)***

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

The Group's Audit Committee Charter and the Group's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Group's website.

***Recommendation 4.2***

The Chief Executive Officer / executive Director declared in writing to the Board that the financial records of the Group for the financial year have been properly maintained, the Group's financial reports for the financial year ended 30 June 2017 comply with accounting standards and present a true and fair view of the Group's financial condition and operation results. The statement is required annually.

***Recommendation 4.3***

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

A representative of the Group's auditor, Stantons International attended the Group's annual general meeting held on 28 November 2016.

## Principle 5 – Make Timely and Balanced Disclosure

***Recommendation 5.1***

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

## Principle 6 – Respect the Rights of Security Holders

***Recommendation 6.1***

The Group provides information about itself and its governance to security holders via the Investor Centre on its website at www.venusmetals.com.au as set out in its *Shareholder Communication Policy*.

# CORPORATE GOVERNANCE STATEMENT

***Recommendation 6.2***

The Group has implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the *Shareholder Communication Policy*.

***Recommendation 6.3***

The Group has in place a *Shareholder Communication Policy* which outlines the policies and processes that it has in place to facilitate and encourage participation at meeting of shareholders.

***Recommendation 6.4***

Shareholders are given the option to receive communications from, and send communications to, the Group and its share registry electronically. The contact details of the Group and its share registry are available on the website at www.venusmetals.com.au. Further, shareholders may register to receive ASX Announcements through the website.

## Principle 7 – Recognise and Manage Risk

***Recommendation 7.1***

The Board has adopted a Risk Management Policy, which sets out the Group's risk profile. Under the policy, the Board is responsible for approving the Group's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Chief Executive Officer**,** who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for updating the Group's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Chief Executive Officer may have unrestricted access to Group employees, contractors and records and may obtain independent expert advice on any matter he/she deems appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Group's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Group's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Group to establish and maintain its governance practices.

The Group considers the following categories of risk to have a material effect impact its business and hence are included in the Group's risk profile.

- Market-related;
- Financial reporting;
- Operational;
- Environmental;
- Sustainability;
- Occupational Health & Safety;
- Ethical conduct;
- Reputation; and
- Legal and Compliance.

# CORPORATE GOVERNANCE STATEMENT

***Recommendation 7.2***

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Group's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Group's management of its material business risks for the Reporting Period.

The Chief Executive Officer has provided assurance in writing to the Board that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist Directors to disclosed potential conflict of interest.

Where the Board believes that a significant conflict exists for a Director on a board matter, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

A summary of the Group's *Risk Management Policy* is available on the Group's website.

***Recommendation 7.3***

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

***Recommendation 7.4***

Using its risk management framework, the Board has identified the following risk categories – liquidity, strategic risk, operational, environmental, compliance, human capital, workplace, health and safety, financial reporting, market and commodity related.

As the Group is not in production nor has any major operations, the Group has not identified any material exposure to any economic, environmental and/or social sustainability risks.

However, the Group does have a material exposure to the following economic risks:

| Economic risk type | Mitigation strategies |
|---|---|
| Market risk – movements in commodity prices | The group manages its exposure to market risk by monitoring market conditions and making decisions based on industry experience. |
| Future capital – cost and availability of funds to meet the Group's business needs | The Group monitors its cash reserves and manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance requirements to finance the group's current and future operations. |

# CORPORATE GOVERNANCE STATEMENT

**PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

**Recommendation 8.1**

The Board has established a Remuneration Committee. The members of the Remuneration Committee are the Group's two non-executive directors, Terence Hogan (Chair) and Matthew Hogan and Company Secretary, Dean Calder.

There have not been any meetings of the Remuneration Committee as yet as it has only recently been established.

The Board has adopted a *Remuneration Committee Charter* which describes the role, composition, functions and responsibilities of the Remuneration Committee, a copy of which is disclosed on the Group's website.

**Recommendation 8.2**

Details of remuneration, including the Group's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences at page 20 of the Group's 2017 Annual Report. The Group has not adopted a policy regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements as it does not currently pay performance based remuneration.

**Recommendation 8.3**

The Group's *Policy for Trading in Group Securities* includes a statement of the Group's policy on prohibiting participants in the Group's Employee Share Option Plan (**Plan**) entering into transactions or arrangements which limit the economic risk of participating in the Plan.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

| | Note | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| Revenue | 4 | 66,423 | 122,224 |
| Administration expense | | (1,050,309) | (863,481) |
| Exploration expense | | (900,319) | (377,473) |
| Depreciation and amortisation expense | | (9,816) | (15,896) |
| Loss on sale of investments | | (27,945) | - |
| Other income (R&D rebate) | | 80,166 | 217,857 |
| **Loss before income tax** | | **(1,841,800)** | **(916,769)** |
| Income tax | 6 | - | - |
| **Loss for the year** | | **(1,841,800)** | **(916,769)** |
| Other comprehensive income | | - | - |
| Income tax on other comprehensive income | | - | - |
| **Other comprehensive income for the year, net of tax** | | - | - |
| **Total comprehensive loss for the year** | | **(1,841,800)** | **(916,769)** |
| **Net loss attributable to:** | | | |
| Owners of the Company | | (1,841,800) | (916,769) |
| Non-controlling interests | | - | - |
| **Net loss for the year** | | **(1,841,800)** | **(916,769)** |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | (1,841,800) | (916,769) |
| Non-controlling interests | | - | - |
| **Total comprehensive loss for the year** | | **(1,841,800)** | **(916,769)** |
| **Earnings per share** | | | |
| Basic loss per share | 8 | (0.027) | (0.016) |
| Diluted loss per share | 8 | (0.027) | (0.016) |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## As at 30 June 2017

| | Note | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | 537,725 | 954,187 |
| Trade and other receivables | 10 | 53,306 | 32,890 |
| Prepayments | | 78,055 | 11,912 |
| **TOTAL CURRENT ASSETS** | | **669,086** | **998,989** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 12 | 48,170 | 56,292 |
| Acquisition costs capitalized | 11 | 1,361,770 | 1,361,770 |
| **TOTAL NON-CURRENT ASSETS** | | **1,409,940** | **1,418,062** |
| **TOTAL ASSETS** | | **2,079,026** | **2,417,051** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | 263,409 | 112,009 |
| Employee benefits | 14 | 8,077 | 22,948 |
| Other current liabilities | 15 | 28,228 | 32,555 |
| **TOTAL CURRENT LIABILITIES** | | **299,714** | **167,512** |
| **TOTAL LIABILITIES** | | **299,714** | **167,512** |
| **NET ASSETS** | | **1,779,312** | **2,249,539** |
| **EQUITY** | | | |
| Share capital | 16 | 21,191,162 | 20,056,778 |
| Reserves | 16 | 3,045,171 | 2,807,982 |
| Accumulated losses | | (22,457,021) | (20,615,221) |
| **TOTAL EQUITY** | | **1,779,312** | **2,249,539** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the year ended 30 June 2017

| | Attributable to owners of the Company | | | |
|---|---|---|---|---|
| | **Share Capital** | **Share Options Reserve** | **Accumulated Losses** | **Total Equity** |
| | $ | $ | $ | $ |
| **As at 1 July 2016** | **20,056,778** | **2,807,982** | **(20,615,221)** | **2,249,539** |
| **Total comprehensive income for the year** | | | | |
| Loss for the year | - | - | (1,841,800) | (1,841,800) |
| **Total comprehensive (loss) for the year** | **-** | **-** | **(1,841,800)** | **(1,841,800)** |
| **Transactions with owners of the Company, recognised directly in equity** | | | | |
| *Contributions by and distributions to owners of the Company* | | | | |
| Issue of ordinary shares and options (net of issue costs) | 1,134,384 | 142,927 | - | 1,277,311 |
| Share-based payment transactions | - | 94,262 | - | 94,262 |
| **Total transactions with owners** | **1,134,384** | **237,189** | **-** | **1,371,573** |
| **Balance at 30 June 2017** | **21,191,162** | **3,045,171** | **(22,457,021)** | **1,779,312** |

| | Attributable to owners of the Company | | | |
|---|---|---|---|---|
| | **Share Capital** | **Share Options Reserve** | **Accumulated Losses** | **Total Equity** |
| | $ | $ | $ | $ |
| **As at 1 July 2015** | **18,954,788** | **2,772,994** | **(19,698,452)** | **2,029,330** |
| **Total comprehensive income for the year** | | | | |
| Loss for the year | - | - | (916,769) | (916,769) |
| **Total comprehensive (loss) for the year** | **-** | **-** | **(916,769)** | **(916,769)** |
| **Transactions with owners of the Company, recognised directly in equity** | | | | |
| *Contributions by and distributions to owners of the Company* | | | | |
| Issue of ordinary shares (net of issue costs) | 1,101,990 | - | - | 1,101,990 |
| Capital raising cost | - | 4,671 | - | 4,671 |
| Share-based payment transactions | - | 30,317 | - | 30,317 |
| **Total transactions with owners** | **1,101,990** | **34,988** | **-** | **1,136,978** |
| **Balance at 30 June 2016** | **20,056,778** | **2,807,982** | **(20,615,221)** | **2,249,539** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

## For the year ended 30 June 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Interest received | | 6,311 | 5,947 |
| Cash paid to suppliers and employees | | (1,063,988) | (816,306) |
| Exploration expenditure (net of JV cash calls) | | (745,407) | (418,597) |
| Refund of rates | | - | 82,805 |
| Government grants | | 60,112 | - |
| R&D tax credit | | 80,166 | 217,857 |
| **Net cash flows used in operating activities** | 9(b) | **(1,662,806)** | **(928,294)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Refund of security deposits | | - | 33,000 |
| Acquisition of plant and equipment | | (6,022) | (6,885) |
| Acquisition of listed investment | | (49,500) | - |
| Proceeds from sale of listed investment | | 21,555 | - |
| Proceeds from sale of mining assets | | - | 49,000 |
| **Net cash flows (used in)/from investing activities** | | **(33,967)** | **75,115** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issues of shares (net of costs) | | 1,134,384 | 1,106,661 |
| Proceeds from issues of listed options (net of costs) | | 145,927 | - |
| **Net cash flows from financing activities** | | **1,280,311** | **1,106,661** |
| **Net decrease/(increase) in cash and cash equivalents** | | (416,462) | 253,482 |
| Cash and cash equivalents at 1 July | | 954,187 | 700,705 |
| **Cash and cash equivalents at 30 June** | 9(a) | **537,725** | **954,187** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

## Note 1 Reporting entity

Venus Metals Corporation Limited (the "Company") is a company domiciled in Australia. The Company's registered address is Level M, 28 The Esplanade, Perth, WA 6000. The consolidated financial statements of the Group as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities") and the Group's jointly controlled entities. The Group is a for-profit entity and primarily is involved in exploration for iron ore, base metals, diamonds, gold and other minerals.

## Note 2 Summaries of significant accounting policies

### (a) Basis of Preparation

The consolidated financial statements are a general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.* The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 28 September 2017.

### (b) Going concern

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation and extinguishment of liabilities in the ordinary courses of business.

For the year ended 30 June 2017 the Group incurred a loss of $1,841,800 (2016: loss $916,769) and had working capital of $369,372 (2016:$831,477). Based upon the Group's existing cash resources of $537,725 (2016: $954,187), the ability to modify expenditure outlays if required, and to source additional funds, the Directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the Group's 2017 financial report.

The Board of Directors is aware of the Group's working capital requirements and the need to access additional equity funding or asset divestment if required within the next 12 months.

In the event that the Group is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and perhaps at amounts different to those stated in its financial report.

### (c) New Accounting Standards and Interpretations

**Accounting Policy on New and amended standards adopted by the group for Companies with 30 June 2017**

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's disclosures.

**New Accounting Standards for Application in Future Periods**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 2 Summaries of significant accounting policies (continued)

#### (c) New Accounting Standards and Interpretations (continued)

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in

  AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  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 the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The directors anticipate that the adoption of AASB 15 will have no impact on the Group's financial statements.

- *AASB 16: Leases (applicable to annual reporting periods beginning on or after 1st January 2019).*

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

  The main changes introduced by the new Standard include:

  - recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
  - depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
  - variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
  - by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
  - additional disclosure requirement.

  The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognize the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

  Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *Other standards not yet applicable*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

## Note 2 Summaries of significant accounting policies (continued)

### (c) New Accounting Standards and Interpretations (continued)

**Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Venus Metals Corporation Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 18.

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

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

**Interests in Joint Arrangements**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

Details of the Group's interests in joint arrangements are provided in Note 23.

**Fair Value of Assets and Liabilities**

The Group 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 Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie 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 (ie 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

## Note 2 Summaries of significant accounting policies (continued)

### (c) New Accounting Standards and Interpretations (continued)

***Valuation techniques***

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

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

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

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

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

***Fair value hierarchy***

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.

*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, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 2 Summaries of significant accounting policies (continued)

#### (d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Jointly controlled operations

A jointly controlled operation is a joint venture by each venture using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operations, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

#### (e) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour,
- Any other costs directly attributable to bringing the assets to a working condition for their intended use,
- When the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- Capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as difference between the net proceeds from the disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

## Note 2 Summaries of significant accounting policies (continued)

### (f) Property, plant and equipment (continued)

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date the asset is completed and ready for use.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a reducing balance basis over their useful lives to the entity commencing from the time the asset is held ready for use.

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

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 40% |
| Computer equipment | 40% |
| Motor vehicles | 40% |
| Building improvements | 40% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to accumulated losses.

### (g) Exploration and development expenditure

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**FOR THE YEAR ENDED 30 JUNE 2017**

## Note 2 Summaries of significant accounting policies (continued)

### (h) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets ate recognised initially at fair values plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Share capital

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### (i) Revenue recognition

(i) Interest Income

Interest income is recognised on a proportional basis taking into account the interest rate applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 2 Summaries of significant accounting policies (continued)

#### (j) Goods and services tax (GST)

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

Receivables and payables in the statement of financial position are shown inclusive of GST.

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

#### (k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are generally paid within 30 days of recognition.

#### (l) Earnings per share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing net profits after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

(ii) Diluted earnings per share

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

#### (m) Critical accounting estimates and judgments

The Directors evaluated estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained externally.

(i) Key Estimates – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Acquisition Costs

The Group is required to estimate whether there has been an impairment of mineral acquisition costs capitalised.

(iii) Option Valuations

The Group, in arriving at the fair value of options granted under the share based payment standard needs to estimate the volatility factor.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 2 Summaries of significant accounting policies (continued)

#### (n) Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and short term deposits.

The main risks arise from the Group's financial instruments are fair value interest rate risks. The Board reviews and agrees policies for managing this risk are summarised below.

Details of the significant accounting policies and methods adopted, including the criterion for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed elsewhere in Note 2 to the financial statements.

(i) Fair Value Interest Risk

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market rates.

(ii) Credit Risk

The Group does not have any material credit risk exposure to any single debtor under financial instruments.

(iii) Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows.

#### (o) Interest in joint ventures

(i) Reimbursement of the joint venture operator's costs

When the Group, acting as an operator, receives reimbursement of direct costs recharges to the joint venture such recharges represent reimbursements of cost that the operator incurred as an agent for the joint venture and therefore have no effect on the statement of comprehensive income.

In many cases, the Group also incurs certain general overhead expenses in carrying out activities on behalf of the joint venture. As these costs can often not be specifically identified, joint venture agreements allow the operator to recover the general overhead expenses incurred by charging an overhead fee that is based on a fixed percentage of the total costs incurred for the year, often in the form of a management fee. Although the purpose of this recharge is very similar to the reimbursement of direct costs, the Group is not acting as an agent in this case. Therefore, the general overhead expenses and the overhead fee are recognised in the statement of comprehensive income as an expense and income respectively.

(ii) Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Group and other ventures of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation partnership or other entity.

Where the Group's activities are conducted through jointly controlled assets, the Group recognises its share of jointly controlled assets, and liabilities it has incurred, its share of liabilities incurred jointly with other venturers, related revenue and operating costs in the financial statements and share of their production.

(iii) Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity in which each venturer holds an interest. A jointly controlled entity operates in the same way as other entities, except that a contractual arrangement established joint control. A jointly controlled entity controls the assets of the joint venture earns its own income and incurs its own liabilities and expenses. Interests in jointly controlled entities are accounted for using the equity method.

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture in included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Group's share of the result of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of the joint venture net profit is shown on the face of the statement of comprehensive income. This is the profit attributable to venturers in the joint venture.

The financial statements of the joint controlled entities are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the account policies in line with those of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

## Note 2 Summaries of significant accounting policies (continued)

### (p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized a finance cost.

### (q) Employees benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit and loss in the periods during which services are rendered by employees.

(ii) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## Note 3 Operating segments

The Group operates predominantly in the mineral exploration industry in Australia. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Group'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 Group as one segment.
The financial results from this segment are equivalent to the financial statements of the Group as a whole.

### Geographical information

The Group operates solely in one country, Australia.

## Note 4 Revenue

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Interest income | 6,311 | 5,443 |
| Government grants | 60,112 | - |
| Memorandum of understanding agreement | - | 20,000 |
| Completion of tenement deed and refund of rates paid | - | 62,805 |
| Sale of fixed assets | - | 33,976 |
| | **66,423** | **122,224** |

## Note 5 Employee benefits expenses

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Wages and salaries | 472,173 | 392,341 |
| Compulsory social security contributions | 43,657 | 37,723 |
| Share-based payment transaction expense | 91,263 | 30,317 |
| | **607,093** | **460,381** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 6 Income tax

| | 2017 $ | 2016 $ |
|---|---|---|
| (a) Numerical reconciliation of income tax expense to prima facie tax payable | | |
| Accounting loss as per accounts | (1,841,800) | (916,769) |
| Less: R&D refund | (80,166) | (217,857) |
| Loss from continuing operations before income tax expense | (1,921,966) | (1,134,626) |
| Prima facie tax benefit from ordinary activities at 27.5% (2016: 30%) | (528,541) | (340,388) |
| Tax effect of amounts which are not deductible in calculating taxable income (including R&D rebate) | 76,659 | 158,341 |
| Movement in unrecognised temporary differences | 121,713 | 165,555 |
| Tax effect of current year losses for which no deferred tax assets have been recognised | 330,169 | 16,492 |
| **Income tax expense** | - | - |

(b) Tax losses

| | | |
|---|---|---|
| Revenue losses | 17,902,459 | 16,701,844 |
| Capital losses | 769,424 | 769,424 |
| Total | 18,671,883 | 17,471,268 |
| Potential tax benefit at 27.5% (2016 30%) | 5,134,768 | 5,241,380 |

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future profit will be available against which the Group can utilise the benefit.

(c) Deferred tax balance/(liability) not brought to account and carried forward in relation to:

| | 2017 $ | 2016 $ |
|---|---|---|
| Tax losses | 5,134,768 | 5,241,380 |
| Section 40-880 deduction | 66,453 | 32,754 |
| Exploration acquisition costs | (300,057) | (322,735) |
| Investment impairment expense | 91 | - |
| Prepayment | (21,465) | - |
| Provisions | 9,718 | 15,422 |
| Plant & Equipment | 8,204 | 11,131 |
| | **4,897,712** | **4,977,952** |

### Note 7 Related party disclosures

Key management personnel compensation

| | 2017 $ | 2016 $ |
|---|---|---|
| Short-term employee benefits | 396,296 | 395,000 |
| Post-employment benefits | 32,815 | 32,887 |
| Other costs | 15,100 | 28,449 |
| Share-based payments | 94,262 | 30,317 |
| | **538,473** | **486,653** |

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporate Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 7 Related party disclosures (continued)

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Director's interests existing at year-end.

#### Transactions with related parties

Transaction between each parent company and its subsidiary which are related parties of that Company are eliminated on consolidation and are not disclosed in this note.

#### Loan to key management personnel and their related parties

There are no loans made to directors or other key management personnel of the Company or the Group.

#### Key management personnel and director transaction

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

There were no transactions with related parties during the year apart from those discussed elsewhere in note 7.

### Note 8 Earnings (Loss) per share

The calculation of basic and diluted earnings per share for the year ended 30 June 2017 was based on the loss attributable to ordinary shareholders of $1,841,800 (2016: $916,769) and the weighted average number of ordinary shares outstanding of 67,655,172 (2016: 57,907,689), calculated as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Net loss attributable to ordinary equity holders of the Group | (1,841,800) | (916,769) |
| **Net loss attributable to ordinary shareholders for basic earnings** | **(1,841,800)** | **(916,769)** |
| **Net loss attributable to ordinary shareholders (diluted)** | **(1,841,800)** | **(916,769)** |

| | 2017<br>No. | 2016<br>No. |
|---|---|---|
| **Weighted average number of ordinary shares at 30 June** | **67,655,172** | **57,907,681** |
| Effect of dilution: | | |
| Share options | - | - |
| **Weighted average number of ordinary shares (diluted) at 30 June** | **67,655,172** | **57,907,681** |

Potential ordinary shares were not considered to be dilutive as the consolidated entity made a loss for the year ended 30 June 2017 and the exercise of potential ordinary shares would not increase that loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 9 Cash and cash equivalents

**(a) Cash and cash equivalents**

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | 86,944 | 44,894 |
| Short-term deposits | 450,781 | 909,293 |
| | **537,725** | **954,187** |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of one and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**(b) Reconciliation of cash flows from operating activities**

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Loss for the year | (1,841,800) | (916,769) |
| *Non-cash adjustments to reconcile loss before tax to net cash flow:* | | |
| (Profit)/Loss on sale of assets | 27,945 | (33,976) |
| Depreciation and amortisation | 9,816 | 15,896 |
| Share-based payment transaction expenses | 91,263 | 30,317 |
| *Working capital adjustments:* | | |
| Increase in prepayments | (66,143) | (1,226) |
| (Increase)/Decrease in trade, other receivables and other assets | (20,416) | 23,188 |
| Increase/(Decrease) in trade payables, accruals and provisions | 136,529 | (45,724) |
| **Net cash used in operating activities** | **(1,662,806)** | **(928,294)** |

**(c) Non-cash financing and investing activities**

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Acquisition cost capitalized | - | - |
| Outstanding fees related to option | - | - |

### Note 10 Trade and other receivables

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Receivables from joint venture partner | - | 10,358 |
| Other receivables | 53,306 | 22,532 |
| | **53,306** | **32,890** |

Receivables from joint venture partner are non-interest bearing and are on 14 day terms. They are neither past due nor impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 11 Capitalised acquisition costs

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Cost** | | |
| Balance at 1 July | 1,361,770 | 1,361,770 |
| Additions | - | - |
| Sold during the year | - | - |
| Balance at 30 June | 1,361,770 | 1,361,770 |
| | | |
| **Impairment** | | |
| Balance at 1 July | - | - |
| Impairment | - | - |
| Balance at 30 June | - | - |
| **Carrying amounts** | **1,361,770** | **1,361,770** |

The ultimate recoupment of capitalised acquisition costs carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective project areas.

### Note 12 Property, plant and equipment

| | Motor vehicles<br>$ | Plant and equipment<br>$ | Total<br>$ |
|---|---|---|---|
| **Cost** | | | |
| Balance 1 July 2016 | 220,016 | 300,572 | 520,588 |
| Additions | - | 6,022 | 6,022 |
| Disposals | - | - | - |
| **Balance at 30 June 2017** | **220,016** | **306,594** | **526,610** |
| | | | |
| Balance 1 July 2015 | 378,187 | 293,688 | 671,875 |
| Additions | - | 6,884 | 6,884 |
| Disposals | (158,171) | - | (158,171) |
| **Balance at 30 June 2016** | **220,016** | **300,572** | **520,588** |
| | | | |
| **Accumulated depreciation** | | | |
| Balance 1 July 2016 | 207,834 | 256,462 | 464,296 |
| Depreciation charge for the year(1) | 4,873 | 9,271 | 14,144 |
| Disposals | - | - | - |
| **Balance at 30 June 2017** | **212,707** | **265,733** | **478,440** |
| | | | |
| Balance 1 July 2015 | 340,619 | 245,675 | 586,294 |
| Depreciation charge for the year(1) | 13,281 | 10,787 | 24,068 |
| Disposals | (146,066) | - | (146,066) |
| **Balance at 30 June 2016** | **207,834** | **256,462** | **464,296** |
| | | | |
| **Carrying amounts** | | | |
| At 1 July 2016 | 12,182 | 44,110 | 56,292 |
| At 30 June 2017 | 7,309 | 40,861 | 48,170 |
| | | | |
| At 1 July 2015 | 37,568 | 48,013 | 85,581 |
| At 30 June 2016 | 12,182 | 44,110 | 56,292 |

(1) Includes depreciation for farm in assets

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 13 Trade and other payables

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Trade payables | 225,337 | 58,569 |
| Accrued expenses | 20,000 | 20,000 |
| Other payables | 18,072 | 33,440 |
| | **263,409** | **112,009** |

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 20.

### Note 14 Employee benefits

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Liability for annual leave | 8,077 | 22,948 |

### Note 15 Other current liabilities

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Farmin agreements | 28,228 | 32,555 |
| | **28,228** | **32,555** |

On 4 February 2010, the Company entered into Yalgoo Iron Ore Farmin and Joint Venture Heads of Agreement (Farmin Agreement) with HD Mining & Investment Pty Ltd (HD Mining), a subsidiary of Shandong Provincial Bureau of Geology & Mineral Resources based in Jinan, P.R. of China. HD Mining has earned a 50% interest in the Yalgoo Iron Ore Project (YIOP).

Accordingly both the Company and HD Mining have formed an unincorporated joint venture in accordance of the Farmin Agreement.

The amount $28,228 (2016: $32,555) represents the net book value of fixed assets purchased in relation to the YIOP. This amount has been included in the Note 12 Property, plant and equipment.

### Note 16 Capital and reserves

#### Share capital

| | 2017 | 2016 |
|---|---|---|
| | No. | No. |
| In issue at 1 July | 61,626,623 | 56,867,123 |
| Issued during the year | 8,338,070 | 4,759,500 |
| In issue at 30 June | **69,964,693** | **61,626,623** |

| | $ | $ |
|---|---|---|
| In issue at 1 July | 20,056,778 | 18,954,788 |
| Issued during the year | 1,252,614 | 1,151,900 |
| Capital raising cost | (118,230) | (49,910) |
| In issue at 30 June | **21,191,162** | **20,056,778** |

#### Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residue assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

## Note 16 Capital and reserves (continued)

### Reserves – Share Option Reserve

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| As at 1 July | 2,807,982 | 2,772,994 |
| Share-based payment transactions | 94,262 | 30,317 |
| Capital raising costs | - | 4,671 |
| Issue of listed options, net off issue cost | 142,927 | - |
| As at 30 June | **3,045,171** | **2,807,982** |

### Options

| | No. | No. |
|---|---|---|
| As at 1 July | 34,056,561 | 35,216,061 |
| Issued during the year | 36,849,491 | - |
| Exercised during the year | (38,070) | (759,500) |
| Lapsed during the year | (34,018,491) | (400,000) |
| As at 30 June | **36,849,491** | **34,056,561** |

Nature and purpose of the share option reserve

*Share-based payment transactions*

The share option reserve is used to recognise the value of equity-settled share-based payment transaction provided to employees, including key management personnel, as part of their remuneration and the value of issued options issued during the year net of listing costs. Refer to Note 17 for further details of these plans.

## Note 17 Share-based payment arrangements

Description of the share-based payment arrangements

Employee Share Option Plan (ESOP)

On 15 March 2007 the Company established a share option program that entitled key management personnel to purchase shares in the Company. In accordance with this program, holders of vested options are entitled to purchase shares at a pre-determined price. Options granted carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share of the Company with full dividend and voting rights.

Options were issued to Directors and Consultants outside of the ESOP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
### FOR THE YEAR ENDED 30 JUNE 2017

### Note 17 Share-based payment arrangements (continued)

The terms and conditions relating to the grant of options are as follows:

| Grant date | Number of Options | Exercise Price | Vesting conditions | Expiry date |
|---|---|---|---|---|
| **Director Options** | | | | |
| 30/11/2016 | 1,500,000 | $0.25 | Vesting 31-Dec-2017 | 30/11/2019 |
| 30/11/2016 | 1,500,000 | $0.25 | Vesting 31-Dec-2016 | 30/11/2019 |
| **Sub total** | **3,000,000** | | | |
| **Consultant Options** | | | | |
| 30/11/2016 | 2,400,000 | $0.30 | Vested immediately | 30/11/2019 |
| **Sub total** | **2,400,000** | | | |

#### Reconciliation of outstanding share options

The number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

| | Number of options 2017 | WAEP 2017 | Number of options 2016 | WAEP 2016 |
|---|---|---|---|---|
| Outstanding at 1 July | 2,525,000 | $0.31 | 2,925,000 | $0.54 |
| Granted during the year | 5,400,000 | $0.27 | - | - |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | (2,525,000) | $0.31 | (400,000) | $2.00 |
| **Outstanding at 30 June** | **5,400,000** | **$0.27** | **2,525,000** | **$0.31** |
| Exercisable at 30 June | 3,900,000 | $0.27 | 2,525,000 | $0.31 |

The options outstanding at 30 June 2017 have an exercise price in the range of $0.25 to $0.30 (2016: $0.20 to $0.20) and weighted average remaining contractual life of years 2.42 (2016: 0.50 years).

The weighted average share price at the date of exercise for share options exercised in 2017 was nil as no unlisted options were exercised (2016: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 17 Share-based payment arrangements (continued)

#### Inputs for measurement of grant date fair values

The fair value at grant date is measured using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Expected volatility is estimated by considering historic average share price volatility. (The weighted average fair value at grant date of options granted during the year ended 30 June 2016 was nil).

*The model inputs for 2017 include:*

| Grant Date | Expiry Date | Exercise Price | Life of option | Share price at grant date | Expected share price volatility | Dividend yield | Risk-free Interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|---|
| 30-Nov-16 | 30-Nov-19 | 0.25 | 3.4 Years | 0.145 | 70% | - | 1.61% | 0.05 |
| 1-Dec-16 | 30-Nov-19 | 0.25 | 3.3 Years | 0.140 | 70% | - | 1.61% | 0.04 |

*The model inputs for 2016 include:*

| Grant Date | Expiry Date | Exercise Price | Life of option | Share price at grant date | Expected share price volatility | Dividend yield | Risk-free Interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - | - | - |

**After marketability discount at 0% (2016:0%)*

#### Directors and consultants expenses

The expenses recognised for directors and consulting services received during the year is shown in the following tables

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Expenses arising from equity-settled share based transaction | 94,262 | 30,317 |
| Total expenses arising from share-based payment transactions | **94,262** | **30,317** |

### Note 18 Group entities

| | Country of incorporation | Ownership interest 2017 | Ownership interest 2016 |
|---|---|---|---|
| **Parent entity** | | | |
| Venus Metals Corporation Limited | | | |
| **Subsidiary** | | | |
| Yalgoo Iron Ore Pty Ltd | Australia | 100% | 100% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 19 Capital commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure specified by Department of Mines and Petroleum.

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Contracted for but not provided and payable | | |
| Less than one year | 537,000 | 386,960 |
| Between one and five years | 2,148,000 | 1,547,840 |
| More than five years | 537,000 | 386,960 |
| | **3,222,000** | **2,321,760** |

### Note 20 Financial instruments

**Financial risk management**

#### Overview

The Group has exposure to the following risks arising from financial instrument:

- credit risk
- liquidity risk
- interest rate risk

The note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### Risk management framework

The Board of Directors has overall responsibility for the establishing and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies. The policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

#### Credit risk

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

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at end of the reporting period was as follows:

| | Carrying amount | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Cash and cash equivalents | 537,725 | 954,187 |
| Other receivables | 53,306 | 32,890 |
| | **591,031** | **987,077** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 20 Financial instruments (continued)

*Trade and other receivables*

The maximum exposure to credit risk for other receivables at the end of the reporting period by geographic region was as follows:

| | Carrying amount | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Australia | 53,306 | 32,890 |

*Impairment losses*

None of the Group's other receivables are past due (2016: nil).

*Cash and cash equivalents*

The Group held cash and cash equivalents of $537,725 at 30 June 2017 (2016: $954,187), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with a bank which is rated AA-, based on Standard and Poor's rating agency.

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, excluding the impact of netting agreements:

| | Carrying amount | Contractual cash flows | 2 mths or less | 2-12 mths | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| **30 June 2017** | | | | | | | |
| Trade and other payables | 263,409 | (263,409) | (244,286) | (19,123) | - | - | - |
| | **263,409** | **(263,409)** | **(244,286)** | **(19,123)** | **-** | **-** | **-** |
| **30 June 2016** | | | | | | | |
| Trade and other payables | 112,009 | (112,009) | (96,588) | (15,421) | - | - | - |
| | **112,009** | **(112,009)** | **(96,588)** | **(15,421)** | **-** | **-** | **-** |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 20 Financial instruments (continued)

#### Interest rate risk

*Profile*

At the end of the reporting period the interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Group was as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Variable rate instruments** | | |
| Financial assets | 537,725 | 954,187 |
| Financial liabilities | - | - |
| | **537,725** | **954,187** |

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the end of reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| | 100bp Increase<br>$ | 100bp decrease<br>$ | 100bp increase<br>$ | 100bp decrease<br>$ |
| **30 June 2017** | | | | |
| Variable rate instruments | 5,370 | (5,370) | 5,370 | (5,370) |
| Cash flow sensitivity (net) | 5,370 | (5,370) | 5,370 | (5,370) |
| **30 June 2016** | | | | |
| Variable rate instruments | 3,236 | (3,236) | 3,236 | (3,236) |
| Cash flow sensitivity (net) | 3,236 | (3,236) | 3,236 | (3,236) |

#### Fair values

*Fair value versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

| | 30 June 2017 | | 30 June 2016 | |
|---|---|---|---|---|
| | Carrying amount<br>$ | Fair value<br>$ | Carrying amount<br>$ | Fair value<br>$ |
| **Assets** | | | | |
| Cash and cash equivalents | 537,725 | 537,725 | 954,187 | 954,187 |
| Other receivables | 53,306 | 53,306 | 32,890 | 32,890 |
| Other financial assets | - | - | - | - |
| | 591,031 | 591,031 | 987,077 | 987,077 |
| **Liabilities** | | | | |
| Trade and other payables | 263,409 | 263,409 | 112,009 | 112,009 |
| | 263,409 | 263,409 | 112,009 | 112,009 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

## Note 20 Financial instruments (continued)

### Financial risk management objectives

The Group's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

## Note 21 Operating leases

**Leases as lessee**

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Less than one year | 51,512 | 51,512 |
| Between one and five years | - | - |
| More than five years | - | - |
| | **51,512** | **51,512** |

The office lease at 28 The Esplanade, Perth expires on 30 June 2018, with option to renew for another one year.

## Note 22 Contingent liabilities

Royalties payable under the Yalgoo tenements:

On 15 August 2008 the Company entered into a contract with Messrs Parry, Hill and Asphar to acquire the Yalgoo tenements and a term of the contract is to pay Royalties as follows:

(i) a royalty of 1.25% of the FOB price of all iron ore mined, processed and sold from the Tenements; and

(ii) a royalty of 1.25% of the Net Smelter Return* from all other base and precious metals mined, processed and sold from the Tenements.

"Net Smelter Return" means the gross sales revenue received by the Group from the sale of base and precious metals produced from the Tenements, subject to all usual discounts and less the costs, expenses and liabilities incurred in connection with the smelting, refining, transporting, handling and storing the base and precious metals.

### Guarantees

Guarantees given in respect of bank security bonds is nil (2016: nil), secured by cash deposits lodged as security with the bank.

No material losses are anticipated in respect of any of the above contingent liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### Note 23 Joint venture

The Company has a 50% interest in the Yalgoo Iron Ore Joint Venture, an unincorporated joint venture whose principal activity is to jointly explore the tenements in Yalgoo, Western Australia with the other 50% joint venture holder, HD Mining & Investments Pty Ltd (HD Mining), for iron ore and if warranted, to develop an iron ore mining operations. The Company and HD Mining agree to fund the joint venture expenditure base on a jointly approved six monthly programmes and budgets.

The following amounts are included in the Group's consolidated financial statements.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Current assets | 16,383 | 10,358 |
| Current liabilities | 16,383 | 10,358 |
| Expenses for the year | 76,742 | 112,116 |

### Note 24 Subsequent events

On 4th September 2017, the Group completed a private placement of 6,800,000 fully paid ordinary shares to professional and sophisticated investors at an issued price of $0.10 per share to raise approximately $680,000 before costs. Funds raised under the placement will be used for:

- Exploration at various gold targets at the Youanmi High Grade Gold Project;
- Exploration at Youanmi Currans Cobalt Project; and
- General working capital purpose

The Company issued 6,800,000 shares under the Company's 15% placement capacity pursuant to ASX listing Rule 7.1. Accordingly, the placement has been made without shareholder approval.

The shares issued under the placement are fully paid ordinary shares in the Company ranking equally with existing shares.

Apart from the capital raising there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affair of the Group, in the future financial years.

### Note 25 Auditor's remuneration

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Audit services** | | |
| Auditors of the Group | | |
| Stantons International | | |
| Audit and review of financial statements | 26,601 | 25,096 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
### FOR THE YEAR ENDED 30 JUNE 2017

### Note 26 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2017 the parent entity of the Group was Venus Metals Corporation Limited.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Result of parent entity** | | |
| Loss for the year | (1,841,800) | (916,769) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year | (1,841,800) | (916,769) |

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Financial position of parent entity at year end** | | |
| Current assets | 669,086 | 998,989 |
| Non-current assets | 1,409,940 | 1,418,062 |
| **Total assets** | **2,079,026** | **2,417,051** |
| Current liabilities | 299,714 | 167,512 |
| Non-current liabilities | - | - |
| **Total liabilities** | **299,714** | **167,512** |
| **Net assets** | **1,779,312** | **2,249,539** |
| **Total equity of the parent entity comprising of:** | | |
| Share capital | 21,191,162 | 20,056,778 |
| Reserves | 3,045,171 | 2,807,982 |
| Accumulated losses | (22,457,021) | (20,615,221) |
| **Total equity** | **1,779,312** | **2,249,539** |

**Parent entity contingencies**

Other than those disclosed in Note 22, the parent entity has no other contingent liabilities as at 30 June 2017 (2016: nil).

# DIRECTORS' DECLARATION

1. In the opinion of the Directors of Venus Metals Corporation Limited (the "Company"):

(a) The consolidated financial statements and notes, and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and its performance, for the financial year ended on that date, and

(ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

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

2. The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director for the financial year ended 30 June 2017.

3. The financial report also complies with International Financial Reporting Standards as disclosed in note 2(a) to the consolidated financial statements.

Signed in accordance with a resolution of the Directors.

Kumar Arunachalam
Executive Director

Perth, Western Australia
28 September 2017

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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF
# VENUS METALS CORPORATION LIMITED

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Venus Metals Corporation Limited, the Company and its subsidiary ("the Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

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

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

### Material Uncertainty Related to Going Concern

Without modification to the opinion expressed above, attention is drawn to the following matters:

As referred to in Note 2 (b) to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2017, the Group had working capital of $369,372, cash and cash equivalents of $537,725 and had incurred a loss for the year amounting to $1,841,800. The ability of the Group to continue as a going concern is subject to successful recapitalisation of the Group and/or commencing profitable operations. In the event that the Board is not successful in recapitalising the Group and in raising further funds and/or in commencing profitable operations, the Group may not be able to meet its liabilities as they fall due and the realisable value of the Group's assets may be significantly less than book values.

### Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be Key Audit Matter to be communicated in our report.

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

| Key Audit Matters | How the matter was addressed in the audit |
|---|---|
| ***Carrying Value of Capitalised Acquisition Costs*** | |
| As at 30 June 2017, Capitalised Acquisition Costs totals $1,361,770 (refer to Note 11 of the financial report).<br><br>The carrying value of Capitalised Acquisition Costs is a key audit matter due to:<br><br>• The significance of the total balance (65% of total assets);<br>• The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and<br>• The assessment of significant judgements made by management in relation to the Capitalised Acquisition Costs. | Inter alia, our audit procedures included the following:<br><br>i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third party documentation;<br><br>ii. Reviewing the directors' assessment of the carrying value of the acquisition costs, ensuring the veracity of the data presented and that management has considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects against AASB 6;<br><br>iii. Evaluation of Group documents for consistency with the intentions for the continuing of exploration and evaluation activities in certain areas of interest, and corroborated with enquiries of management. Inter alia, the documents we evaluated included:<br><br>▪ Minutes of meetings of the board and management; and<br>▪ Announcements made by the Group to the Australian Securities Exchange; and<br><br>iv. Consideration of the requirements of accounting standard AASB 6. We assessed the financial statements in relation to AASB 6 to ensure appropriate disclosures are made. |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group'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 Group's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 24 of the directors' report for the year ended 30 June 2017. 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 on the Remuneration Report

In our opinion the Remuneration Report of Venus Metals Corporation Limited for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

**Martin Michalik**
Director

West Perth, Western Australia
28 September 2017

# ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 September 2017.

## 1. Distribution of Equity Securities

**Ordinary Share Capital:**

76,764,693 fully paid ordinary shares are held by 976 individual shareholders.

*All issued ordinary shares carry one vote per share and carry the right to dividends.*

**Options:**

31,449,491 listed options are held by 89 individual holders.
5,400,000 unlisted options are held by 4 individual holders.

*Options do not carry right to vote.*

## 2. Substantial Shareholders

| Ordinary Shareholder | Fully paid Number | Percentage |
|---|---|---|
| Traolach Investments PL | 6,421,002 | 8.36% |
| **Total** | **6,421,002** | **8.36%** |

## 3. Distribution of Equity Security Holders

| Category | Fully paid ordinary shares | Options |
|---|---|---|
| 1 – 1,000 | 178 | 2 |
| 1,001 – 5,000 | 160 | 6 |
| 5,001 – 10,000 | 155 | 6 |
| 10,001 – 100,000 | 361 | 40 |
| 100,001 and over | 122 | 35 |
| **Total Holders** | **976** | **89** |

The number of shareholders holding less than a marketable parcel of ordinary shares is 294.

# ASX ADDITIONAL INFORMATION

### 4. Twenty Largest Holders of Quoted Equity Securities

| Ordinary Shareholders | Number | Percentage |
|---|---|---|
| Traolach Investments Pty Ltd | 6,421,002 | 8.36% |
| Wendy Carolyn Coombe Hogan | 3,550,000 | 4.62% |
| PJ Enterprises Pty Ltd | 3,500,000 | 4.56% |
| Aurea Prods Pty Ltd | 3,400,000 | 4.43% |
| Luitingh Lafras | 2,400,000 | 3.13% |
| HD Mining & Investment Pty Ltd | 2,000,000 | 2.61% |
| Oceanic Cap PL | 1,340,000 | 1.75% |
| M & K Korkidas Pty Ltd | 1,305,971 | 1.70% |
| Mowbray Christopher | 1,300,000 | 1.69% |
| AWD Cons Pty Ltd | 1,250,001 | 1.63% |
| T T Nicholls Pty Ltd | 1,000,000 | 1.30% |
| John William Thomas | 1,000,000 | 1.30% |
| Walker Graham G + T J | 1,000,000 | 1.30% |
| Yafco Pty Ltd | 1,000,000 | 1.30% |
| Nathanson Marshall Brian | 889,425 | 1.16% |
| Toowong Pastures Pty Ltd | 855,345 | 1.11% |
| Aredebeco Pty Ltd | 775,000 | 1.01% |
| J P Morgan Nom Aust Ltd | 750,810 | 0.98% |
| Coxhell Simon | 740,607 | 0.96% |
| Malavasia Pty Ltd | 700,750 | 0.91% |
| | | |
| **Top 20 Total** | **35,178,911** | **45.81%** |

### 5. On-Market Buy-Back

There is currently no on-market-buy back.

# ASX ADDITIONAL INFORMATION

### 6. Twenty Largest Holders of Quoted Options

| **Optionholders** | **Number** | **Percentage** |
|---|---:|---:|
| Hogan Wendy Carolyn C | 4,625,500 | 14.71% |
| Hard Rock Mining Pty Ltd | 4,000,000 | 12.72% |
| Redcode Pty Ltd | 2,000,000 | 6.36% |
| Yafco Pty Ltd | 2,000,000 | 6.36% |
| Christopher Mowbray | 1,800,000 | 5.72% |
| Traolach Investments Pty Ltd | 1,700,000 | 5.41% |
| IQ Global Asset Partners Pty Ltd | 1,586,017 | 5.04% |
| Nathanson Marshall Brian | 1,125,000 | 3.58% |
| CYL Trading Pty Ltd | 801,500 | 2.55% |
| Oceanic Cap Pty Ltd | 801,170 | 2.55% |
| Payzone Pty Ltd | 785,000 | 2.34% |
| Firgrove Pty Ltd | 735,000 | 2.34% |
| Toowong Pastures PL | 500,000 | 1.59% |
| Vetter Anthony John +J | 500,000 | 1.59% |
| John William Thomas | 500,000 | 1.59% |
| Luitingh Lafras | 500,000 | 1.59% |
| Walker Graham G + T J | 500,000 | 1.59% |
| Dawe Graham Mcintyre | 458,897 | 1.46% |
| Coxhell Simon | 417,803 | 1.33% |
| Sakalidis George | 400,000 | 1.27% |
| **Top 20 Total** | **25,735,869** | **81.85%** |

# ASX ADDITIONAL INFORMATION

### 7. Schedule of Tenements

| Location | Tenement | Date of Grant | Venus Interest |
|---|---|---|---|
| Yalgoo | R59/1 (previous M59/742) | 21/04/2016 | 50% interest in iron |
| | | | 100% other minerals |
| Yalgoo | E59/1508-I | 16/06/2009 | 50% interest in iron |
| | | | 100% other minerals |
| Yalgoo | E59/2187 | 24/02/2017 | 50% interest in iron |
| | | | 100% other minerals |
| Youanmi | E57/986 | 28/01/2015 | 90% |
| Youanmi | E57/983 | 4/02/2015 | 100% |
| Youanmi | E57/1019 | 20/10/2015 | 100% |
| Youanmi | E57/985 | 31/03/2016 | 90% |
| Youanmi | E57/1011 | 18/11/2015 | 90% |
| Youanmi | P57/1365 | 5/11/2015 | 90% |
| Youanmi | P57/1366 | 5/11/2015 | 90% |
| Bellchambers/Sandstone | E57/984 | 17/03/2015 | 90% |
| Sandstone | E57/981 | 5/09/2016 | 100% |
| Poona | E20/885 | 26/07/2016 | 90% |
| Peak Hill (Curara Well) | E52/3069 | 10/02/2016 | 100% |
| Peak Hill (Rathbone Well) | E52/3068 | 5/01/2016 | 100% |
| Youanmi | E57/982 | 5/09/2016 | 100% |
| Youanmi | E57/1018 | 5/09/2016 | 100% |
| Youanmi | E57/1023 | 5/09/2016 | 100% |
| Peak Hill (Orient Well) | E52/3320 | 20/12/2016 | 100% |
| Pilgangoora NorthEast | E45/4630 | 6/02/2017 | 100% |
| Pilgangoora NorthEast | E45/4684 | 4/02/2017 | 100% |
| Wodgina South | E45/4627 | 11/10/2016 | 100% |
| Wodgina South | P45/3004 | 4/11/2016 | 100% |
| Nardoo Hill | E 09/2156 | 6/02/2017 | 100% |
| Greenbushes East | E70/4810 | 7/11/2016 | 100% |
| Greenbushes Northeast | E70/4814 | 7/11/2016 | 100% |
| Poona East | ELA20/896 | | 100% |
| Peak Hill | ELA52/3486 | | 100% |
| Peak Hill | ELA52/3487 | | 100% |
| Peak Hill | ELA52/3488 | | 100% |
| Peak Hill | ELA52/3489 | | 100% |
| Peak Hill | ELA52/3564 | | 100% |

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