CALIDUS
RESOURCES LIMITED

ABN 98 006 640 553
(Previously known as Pharmanet Group Ltd)

ANNUAL REPORT

30 June 2017

Corporate directory

Current Directors

David Reeves	*Managing Director*
Keith Coughlan	*Non-executive Chairman*
Peter Hepburn-Brown	*Non-executive Director*
Adam Miethke	*Non-executive Director*

Joint Company Secretary

James Carter
Kyla Garic

Registered Office

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	WEST PERTH WA 6005
Telephone:	+61 (0)8 6245 2050
Email:	info@calidus.com.au
Website:	http://www.calidus.com.au

Securities Exchange

Australian Securities Exchange
Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000

Telephone:	131 ASX (131 279) (within Australia)
Telephone:	+61 (0)2 9338 0000
Facsimile:	+61 (0)2 9227 0885
Website:	www.asx.com.au
ASX Code	CAI

Auditors

Moore Stephens
Level 15, Exchange Tower, 2 Esplanade
Perth WA 6000

Telephone:	+61 (0)8 9225 5355
Website:	www.moorestephens.com.au

Share Registry

Automic Pty Ltd

Street:	Level 3, 50 Holt Street
	SURRY HILLS NSW 2010
Postal:	PO Box 1156
	NEDLANDS WA 6909
Telephone:	1300 288 664
Email:	hello@automic.com.au
Website:	http://automic.com.au

Solicitors to the Company

Bellanhouse
Ground Floor, 11 Ventnor Avenue
WEST PERTH WA 6005

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Chairman’s Letter

Dear Shareholder

2017 was a transformational year for Calidus, following our admission to the ASX in June and the launch of the first ever exploration campaign over the consolidated Klondyke Project.

Our team has demonstrated its intent by delivering maiden drilling results less than 3 weeks after listing and now having completed over 6,000m of drilling, significantly improving our understanding of the Warrawoona Gold Belt. Subsequent to the close of financial year 2017, our recent joint venture with Novo Resources Corporation has also considerably expanded our ground position in this region and increased the number of targets that we will systematically explore alongside our existing tenements. We look forward to providing you with continued news flow as we explore this exciting project.

The Warrawoona Gold Field first commenced production in 1897. It faced ongoing issues with fragmented ownership, which led to the region seeing limited exploration and no modern development. The area has been consolidated for the first time by Calidus, allowing the project to be viewed in its entirety and removing previous impediments to potential development.

Drilling has been underway since trading resumed on the 22nd of June 2017 and has been producing excellent results with every hole drilled to date intersecting potentially economic grade mineralisation. Drilling initially focused on the ‘Gap’ Zone, an area lying between two existing resources. I am pleased to report that this drilling has confirmed the gold mineralisation continues across this zone and we can now confirm that continuous mineralisation exists over an uninterrupted 2.6km of strike and remains open at depth and along strike. This area will form the basis of a planned resource upgrade later this year.

Drilling is continuing in the known satellite deposits and is anticipated to be complete in late October. These satellite deposits have seen limited work but show a higher-grade tenor, such as the 6.1g/t Copenhagen resource. A team of experienced field geologists has been deployed to assist in prioritizing targets for the coming year as there is over 38km of un-explored, outcropping shears that the Company has the right to explore.

With the Company focused on delivering a meaningful stand-alone operation at the appropriate juncture, we have commenced metallurgical test work and environmental monitoring to ensure a rapid progression through the various studies that lie ahead.

We continue to explore possibilities in the area for further consolidation beyond the Novo joint venture as we believe the area has tremendous potential to sustain an operation over a long mine life. With a large amount of unexplored, known mineralized shears we believe there are significant blue sky opportunities in the region that will assist any potential operation.

Our team has been strengthened recently by the arrival of Jane Allen, a highly experienced geologist who was most recently head of brownfields exploration for Anglo Ashanti for all continental Africa. Ms Allen’s extensive experience serves to further strengthen our position to capitalise on the opportunity presented to us. The ability to attract someone of Jane’s calibre reinforces the attractiveness of the Project.

I would like to take this opportunity to thank all staff, advisors, contractors and new shareholders who have allowed us to begin this exciting journey together.

Keith Coughlan
Non-executive Chairman

Operations review

1. Overview

Calidus Resources Limited (ASX: CAI) (Calidus or the Company) is pleased to present its results for the period between 1 October 2016 to 30 June 2017 (FY17).

On 13 June 2017, Calidus Resources Limited (formerly Pharmanet Group Ltd) acquired Keras (Gold) Australia Pty Limited to position it as one of a limited number of potential near term Australian gold development companies.

On 22 June 2017, the Company's securities were reinstated to official quotation on the ASX, after the completion of all the transactions as presented in the Prospectus dated 8 May 2017 and approval granted by the ASX to allot the shares under the public offer. The allotment of 350,000,000 shares at $0.02 per share and 87,500,000 listed options at $0.01 per option to raise $7.875 million was completed on 13 June 2017. Prior to this, the Company completed an interim capital raising of $620,000 following the announcement to acquire the Warrawoona gold project. The Company and its Directors appreciate the support shareholders have shown in bringing Calidus into a listed environment.

Warrawoona Gold Projects

Calidus Resources is a gold exploration company that controls the Warrawoona Gold Project in the East Pilbara district of the Pilbara Goldfield in Western Australia (see Figure 1 below).

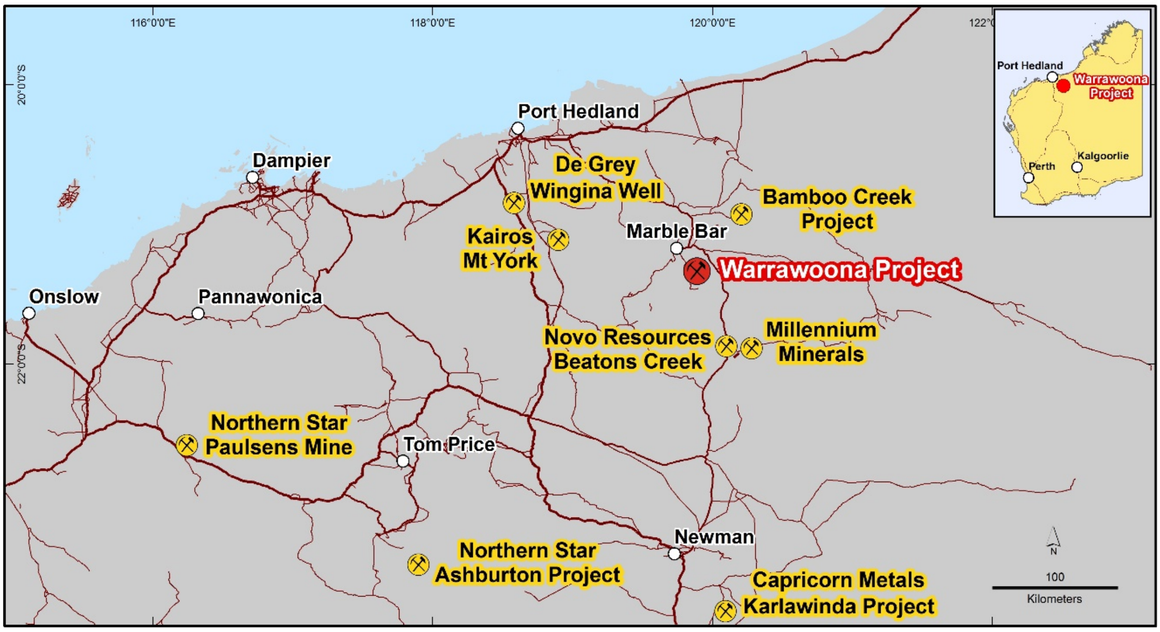

Figure 1: Location of the Warrawoona Gold Project

Calidus has consolidated the Warrawoona Gold Project by acquiring a 100% interest in the Klondyke Prospect and securing arrangements with respect to adjacent tenements to form a contiguous package of highly prospective gold tenements.

Composed largely of high-Mg basaltic lavas with lesser tholeiite, andesite, sodic dacite, potassic rhyolite, chert and banded iron formation (BIF), all metamorphosed to greenschist facies, the Warrawoona Gold Project is sandwiched between the Mount Edgar granitoid complex to the north and the Corunna Downs granitoid complex to the south.

Operations review

The Warrawoona Gold Project:

(i) is positioned to target a large and rapid increase in its resource position along untested strike length and regional deposits and the current resource is defined from just 2km of the main 7.5km strike length identified;

(ii) includes two Inferred Resources reported in accordance with the 2012 JORC Code:
   (A) the Klondyke Prospect with a current Inferred Resource of 5.6Mt at 2.08g/t Au for 374,000 ounces based on a lower cut-off grade of 0.5g/t; and

   (B) the Copenhagen Prospect with a current Inferred Resource of 180,000t @ 6.1g/t Au for 36,000 ounces, based on a lower cut-off grade of 0.5g/t;

(iii) mineralisation comprised of a thick sub-vertical shear zone amenable to low cost open-pit mining with mineralisation to surface;

(iv) includes over 150 shallow historical gold workings within the 7.5km strike length; and

(v) includes the Coronation Prospect, which has recorded numerous high grade, shallow intercepts.

Location and Tenements

The Warrawoona Gold Project is situated in the East Pilbara district of the Pilbara Goldfield of Western Australia, approximately 150km south east of Port Hedland and approximately 25km south east of the town of Marble Bar (see Figure 1, above).

Calidus, through its wholly owned subsidiary Keras (Pilbara) Gold Pty Ltd (Keras Pilbara), holds a 100% interest in four mining leases covering 489.7 hectares which make up the Klondyke Prospect. Calidus acquired Keras Pilbara (then named Arcadia Minerals Pty Ltd) in October 2016.

Expansion of the Warrawoona Gold Project by Keras Australia

Subsequent to the acquisition of the Klondyke Prospect in October 2016, Calidus has undertaken significant activities relating to expanding the Warrawoona Gold Project by:

(i) procuring that Keras Pilbara enter 'right to mine' and option to purchase arrangements with Haoma Mining NL (ASX:HAO) (**Haoma**) in respect of a further seven tenements covering an area of 650 hectares (**Haoma Tenements**). The Haoma Tenements include the historical Fieldings Gully, Coronation and Copenhagen deposits;

(ii) making application for two additional tenements covering an area of 170km^2 on prospective greenstone horizons located to the south east of the Klondyke Prospect; and

(iii) entering into the Epminex Agreement providing for a right to purchase up to 100% of exploration licences E45/4555, E45/4556 and E45/4843 once granted.

The Board considers that the consolidation achieved to date and possible future expansion has been key to improving the value of the Warrawoona Gold Project and unlocking the projects potential which has been stifled to date by multiple ownerships.

Operations review

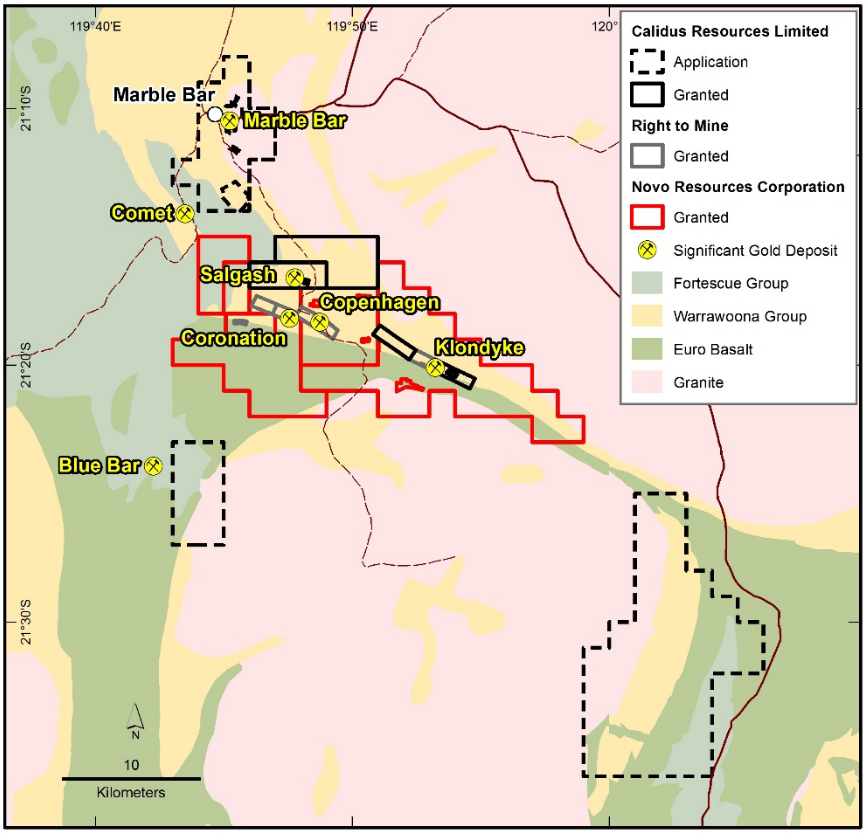

Figure 2: Warrawoona Gold Project Location

Previous Work

Gold mineralisation was discovered in the Marble Bar area in the 1880s with small scale mining taking place at Warrawoona from a number of auriferous reefs. Historical records from small scale artisanal mines reported to have produced 744.5kg of gold from 25,191t of ore at an average grade of approximately 30g/t.

Modern exploration has been undertaken by the Geological Survey of Western Australia (GSWA) followed by a number of explorers in the mid-1980s and then from 1993. During this period, Aztec Mining Company Limited, Conzinc Rio Tinto of Australia Limited, Lynas Corporation Limited and Jupiter Mines Limited all conducted exploration in the Klondyke area, which primarily consisted of surface mapping, sampling and shallow drilling, with limited information below 100m vertical depth.

Klondyke Prospect

The mining leases comprising the Klondyke Prospect lie within the Warrawoona Gold Project, one of the oldest greenstone belts within the Pilbara Craton.

The Klondyke Prospect is located approximately 70km from Bamboo Creek and 90km from Millennium Minerals (see Figure 1 above), where excess processing capacity may be available if a tolling option is pursued and agreed.

Independent consultant GeoServ Consulting Pty Ltd completed a resource update in June 2016 to derive a 2012 JORC compliant Inferred Resource at the Klondyke Prospect of 5.6Mt at 2.08g/t Au for 374,000 ounces based on a 0.5g/t lower cut-off (announced by the Company on 22 March 2017).

Operations review

The resource is currently confined to two separate 1km portions of the total 7.5km of mineralised strike length highlighting the significant potential for a large increase in resource along the untested strike length. Mineralisation extends from surface outcrops and has been tested by drilling to depths between 50m and 200m. It is generally not closed off at depth by the drilling (Figure 5, below).

Limited infill drilling adjacent to the resource area includes:

- W97-1 14m @ 3.83g/t from 62m
- W97-2 19m @ 3.44g/t from 53m
- W97-10 4m @ 6.08g/t from 88m
- KBP010 6m @ 9.39g/t from 90m

There are numerous historical gold mines that exist on the property (shown on Figure 3, below). Figure 4 below is an image showing historical drill pads and workings. In addition to a potential open-pit resource, there is also the potential for underground mining on high grade lodes.

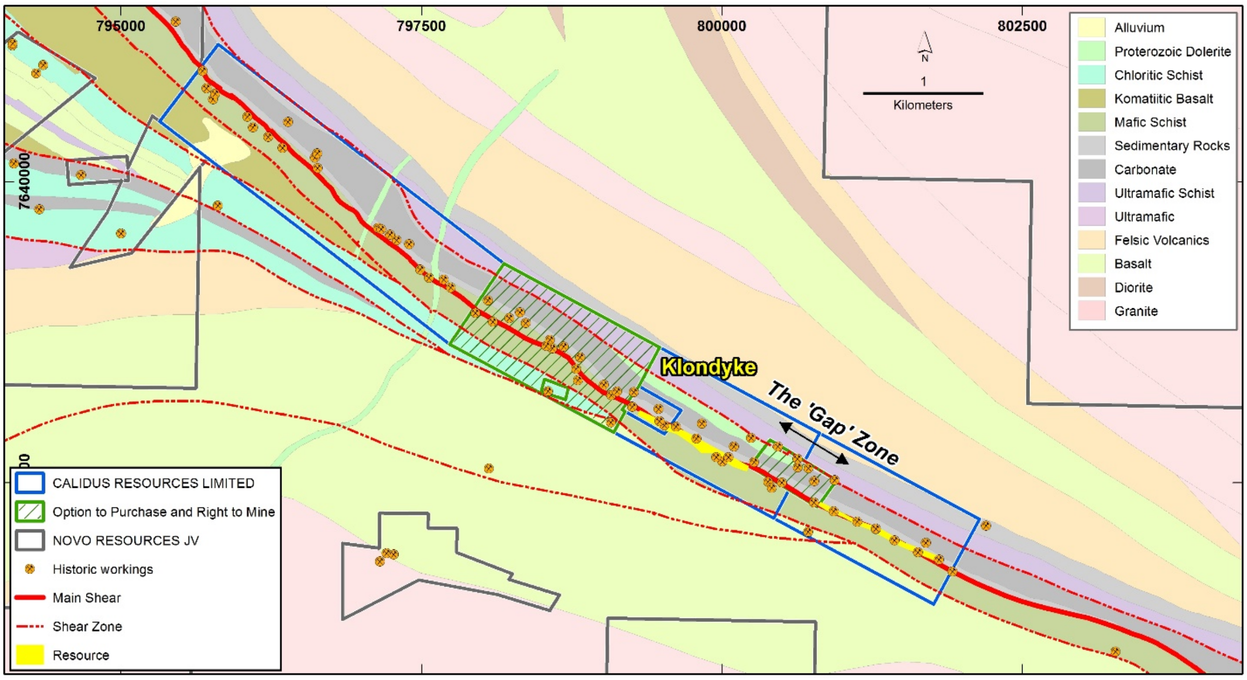

Figure 3: Klondyke Prospect – Location of deposits and tenements

Operations review

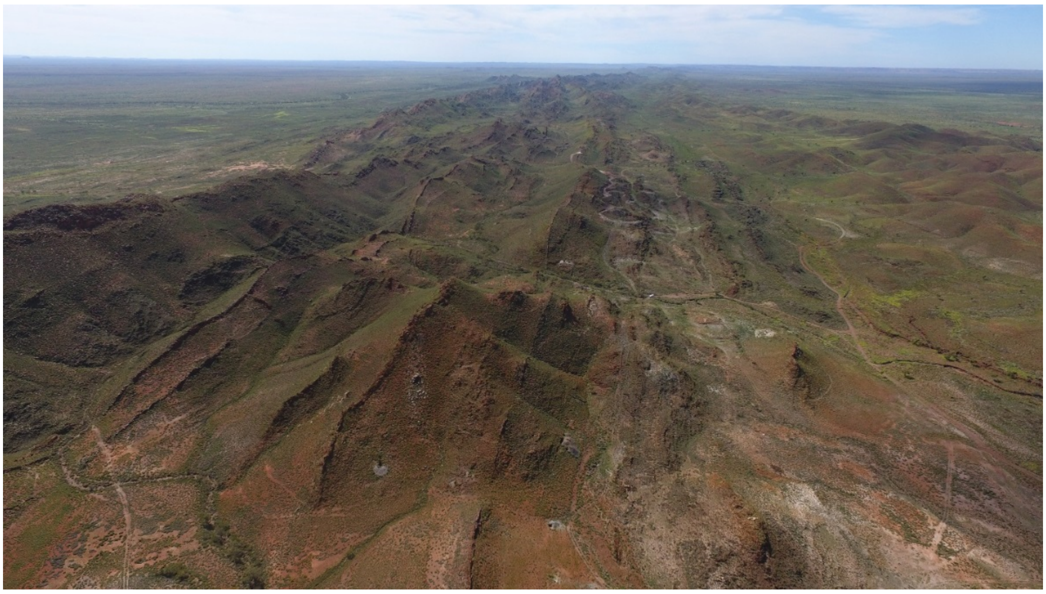

Figure 4: Historical drill pads and workings at the Klondyke Prospect

Operations review

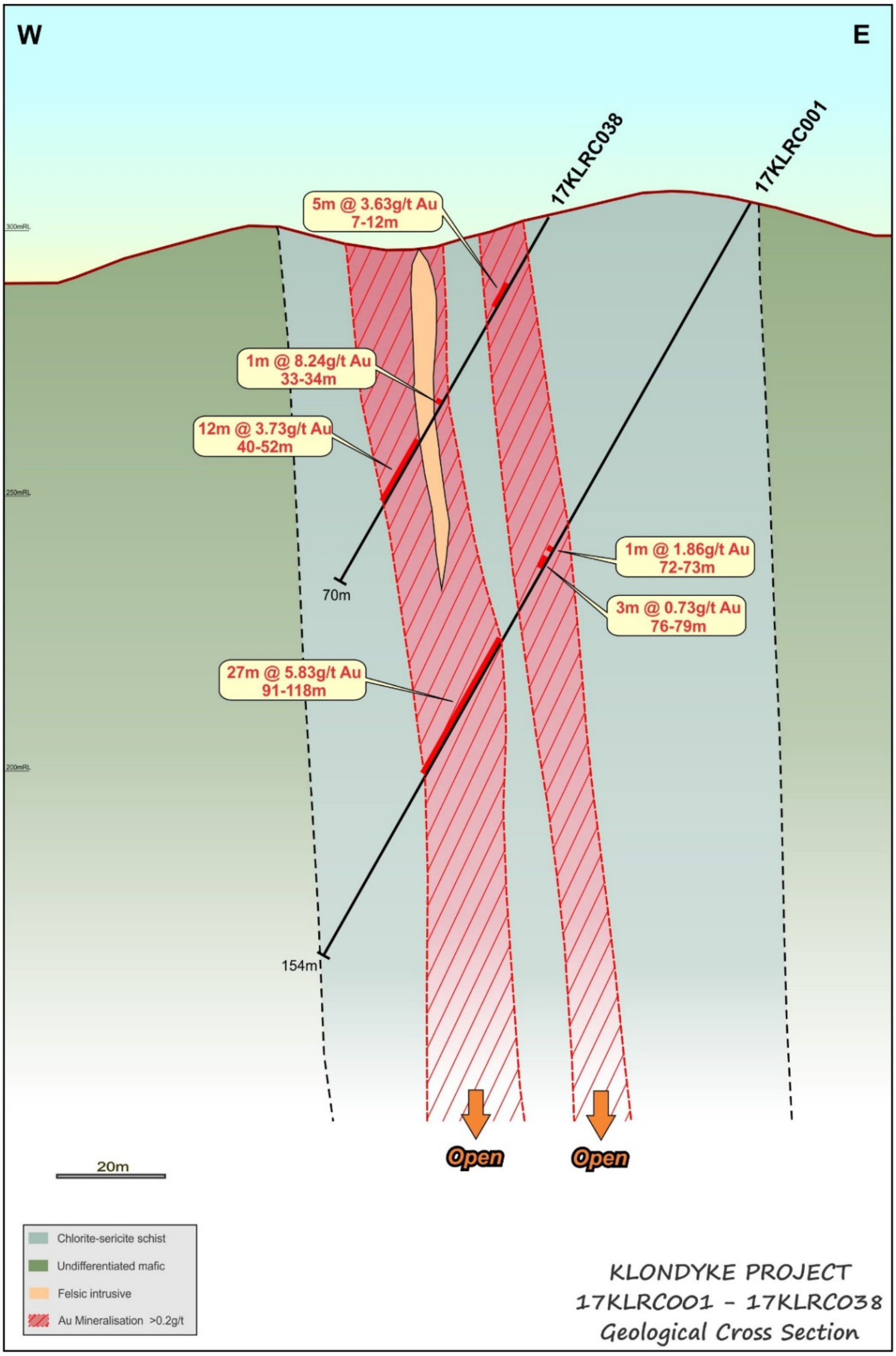

Figure 5: Typical cross section

Operations review

Haoma Tenements

The Haoma Tenements comprise of mining leases M45/679, M45/521, M45/672, M45/240, M45/547, M45/671 and M45/682.

The location of the Haoma Tenements is shown in Figure 2 and Figure 3 above. Haoma holds 100% beneficial ownership of the Haoma Tenements.

As announced by Haoma on 13 September 2016, Calidus has been granted an exclusive 5 year right to 'explore, mine and process' gold on the Haoma Tenements, together with a call option to purchase the tenements at any time during the right to mine period. The option was assigned to Keras (Pilbara) Gold Pty Ltd (a wholly owned subsidiary of Calidus) on 26 October 2016.

Pursuant to the Haoma Right to Mine and Option Agreement, if the Calidus elects to exercise the option to purchase the Haoma Tenements, it will be liable to:

(i) pay $500,000; and

(ii) issue to Haoma 37,500,000 Shares (subject to shareholder approval) or pay an additional $750,000 (at the election of Haoma).

The option to purchase the Haoma Tenements may be exercised at the election of the Company. If the option is exercised, the Company will either need to reallocate its use of funds or raise further capital (depending if and when the Company elects to exercise the 5-year option). The potential issue of the 37,500,000 Shares is subject to Shareholder Approval. Shareholders should be aware that if these Shares are issued, their interests will be diluted as a result.

Exploration Upside – Haoma Tenements

The Haoma Tenements provide Keras Australia with up to 7.5km of contiguous and largely untested strike length of prospective geology. Key targets are centred on both the main Klondyke Prospect shear and the historical Fieldings Gully, Coronation and Copenhagen mines.

Historical deposits that require follow up include:

(i) **Fieldings Gully:** The Fieldings Gully historical mine is located 15km from the centre of the Klondyke area hosting a pre-2012 JORC Code Resource which remains open at depth and along-strike and requires follow-up evaluation. Significant intersections include:
- FG97-7 14m @ 3.09g/t from 53m
- FG97-12 4m @ 5.29 g/t from 12m
- FG97-12 3m @ 17.58g/t from 20m

(ii) **Copenhagen**: Historical mine located 10km from the Klondyke Prospect hosting an Inferred Resource of 180,000t @ 6.1 g/t Au for 36,000 ounces reported in accordance with the 2012 JORC Code. The prospect remains open along strike and at depth based on field mapping and historical drilling. Drilling intercepts in the resource area include those shown in Figure 6 (below).

Operations review

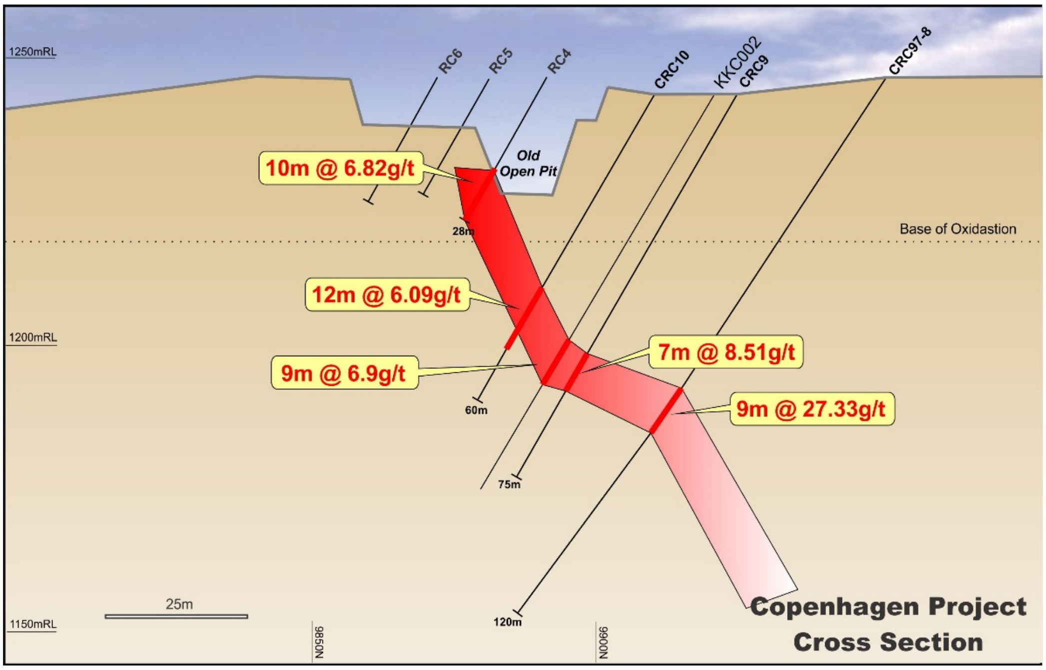

Figure 6: Copenhagen cross section

(iii) **Coronation**: Historical mine located 12.5km from the Klondyke Prospect 3km along strike from Copenhagen. No resource has been calculated, significant intercepts that require follow-up include:

- 9m @ 5.21 g/t from 9m
- 8m @ 7.64 g/t from 64m
- 3m @ 16.67 g/t from 16m
- 12m @ 7.98 g/t from surface
- 4m @ 5.71 g/t from 12m
- 2m @ 31.5 g/t from 30m

Grants Patch gold tribute

- Tribute allowing access to mine certain defined gold deposits on Norton's leases;
- 30km north of Kalgoorlie in the heart of Western Australian goldfields;
- Agreement covers historic resources of more than 350,000 ounces of gold at a grade of 2 g/t;
- Mining leases granted – deposits comprised of remnant resources below historic pits and previously unmined near-surface deposits;
- Production commenced in Q1 2016, currently on hold and reviewing options;
- Ore to be treated at Norton's nearby Paddington processing plant, 25km away; and
- Calidus to pay processing costs plus 22% royalty on gold recovered to Norton.

2. Corporate highlights

On 13 June 2017, Calidus Resources Limited (formerly Pharmanet Group Ltd) acquired Keras (Gold) Australia Pty Limited to position it as one of a limited number of potential near term Australian gold development companies.

On 22 June 2017, the Company's securities were reinstated to official quotation on the ASX, after the completion of all the transaction as presented in the Prospectus dated 8 May 2017 and approval granted by the ASX to allot the shares under the public offer. The allotment of 350,000,000 shares at $0.02 per share and 87,500,000 listed options at $0.01 per option to raise $7.875 million was completed on 13 June 2017. Prior to this, the Company completed an interim capital raising of $620,000 following the announcement to acquire the Warrawoona gold project. The Company and its Directors appreciate the support shareholders have shown in bringing Calidus into a listed environment.

Operations review

The Company's annual report is consolidated to include the activities and cash flows of Pharmanet Group during the short period of FY17 following its reverse takeover of Keras Australia.

After the repayment of the D-Beta loan, raising expenses and creditors the Company held approximately $4.44 million in cash reserves as at 30 June 2017.

The Board of Directors would like to thank all investors for their continued support of Calidus. The Company welcomes new shareholders with much optimism that the business is well-positioned to reward investors' faith in the year ahead.

Mineral Resource and Ore Reserve Statement

Warrawoona Gold Project Mineral Resource reported at a 0.50 g/t Au cut-off

Deposit	JORC Classification	Cut-Off Grade g/t Au	Tonnes (Mt)	Grade Au (g/t)	Metal (Koz)
Klondyke	**Inferred**	**0.5**	**5.60**	**2.08**	**374**
Copenhagen	**Inferred**	**0.5**	**0.18**	**6.10**	**36**
Total		**0.5**	**5.78**	**2.1**	**410**

CORPORATE GOVERNANCE - RESERVES AND RESOURCES CALCULATIONS

Due to the nature, stage and size of the Company's existing operations, Calidus is of the opinion there would be no efficiencies gained by establishing a separate Mineral Reserves and Resources committee responsible for reviewing and monitoring the Company's processes for calculating Mineral Reserves and Resources and for ensuring that the appropriate internal controls are applied to such calculations. However, the Company ensures that all Mineral Reserve and Resource calculations are prepared by competent, appropriately experienced geologists and are reviewed and verified independently by a qualified person.

COMPETENT PERSONS STATEMENT

The information in this annual report that relates to exploration targets and exploration results is based on information compiled by Jane Allen a competent person who is a member of the AusIMM. Jane Allen is employed by Calidus Resources Limited. Jane has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Jane Allen consents to the inclusion in this annual report of the matters based on her work in the form and context in which it appears.

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled or reviewed by Mr. Daniel Saunders, Principal of GeoServ Consulting Pty Ltd., who is a Member of the Australian Minerals Institute. Mr. Daniel Saunders is a full-time employee of GeoServ Consulting Pty Ltd. and has sufficient experience, which is relevant to the style of mineralisation and types of deposit under consideration and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Daniel Saunders consents to the inclusion of the report of the matters based on the information in the form and context in which it appears.

TENEMENT SCHEDULE AS AT 30 JUNE 2017

CALIDUS RESOURCES TENEMENT SCHEDULE				
Project Location	**Tenement ID**	**Ten Status**	**Holder/Applicant**	**Interest**
WARRAWOONA	M45/0552	GRANTED	KERAS (Pilbara) Gold Pty Ltd	100%
WARRAWOONA	M45/0668	GRANTED	KERAS (Pilbara) Gold Pty Ltd	100%
WARRAWOONA	M45/0669	GRANTED	KERAS (Pilbara) Gold Pty Ltd	100%
WARRAWOONA	M45/0670	GRANTED	KERAS (Pilbara) Gold Pty Ltd	100%
WARRAWOONA	M45/0240	GRANTED	Elazac Mining Pty Ltd and Haoma Mining NL	Right to mine and option to purchase
WARRAWOONA	M45/0521	GRANTED	Elazac Mining Pty Ltd and Haoma Mining NL	Right to mine and option to purchase
WARRAWOONA	M45/0671	GRANTED	Elazac Mining Pty Ltd, BHP Billiton Nickel West Pty Ltd and Haoma Mining NL	Right to mine and option to purchase
WARRAWOONA	M45/0672	GRANTED	Elazac Mining Pty Ltd and Haoma Mining NL	Right to mine and option to purchase
WARRAWOONA	M45/547	GRANTED	Elazac Mining Pty Ltd	Right to mine and option to purchase
WARRAWOONA	M45/679	GRANTED	Elazac Mining Pty Ltd	Right to mine and option to purchase
WARRAWOONA	M45/682	GRANTED	Haoma Mining NL	Right to mine and option to purchase
WARRAWOONA	E45/4555	GRANTED	Epminex WA Pty Ltd 50% KERAS (Pilbara) Gold Pty Ltd 50%	50% with option to purchase remaining 50%
WARRAWOONA	E45/4843	GRANTED	Epminex WA Pty Ltd 50% KERAS (Pilbara) Gold Pty Ltd 50%	50% with option to purchase remaining 50%
WARRAWOONA	E45/4905	APPLICATION	KERAS (Pilbara) Gold Pty Ltd	Application for 100% interest
WARRAWOONA	E45/4906	APPLICATION	KERAS (Pilbara) Gold Pty Ltd	Application for 100% interest
WARRAWOONA	E45/4856	APPLICATION	KERAS (Pilbara) Gold Pty Ltd	Application for 100% interest
WARRAWOONA	E45/4857	APPLICATION	KERAS (Pilbara) Gold Pty Ltd	Application for 100% interest

All the above Tenements interests were acquired during the quarter as part of the transactions presented in the Company's prospectus dated 11 May 2017. No tenements were disposed during the quarter.

Directors' report

Your directors present their report on the consolidated entity, consisting of Calidus Resources Limited (**Calidus** or **the Company**) and its controlled entities (collectively **the Group**), for the period between 1 October 2016 to 30 June 2017.

Calidus (formerly Pharmanet Group Ltd) is listed on the Australian Securities Exchange. The Company completed the legal acquisition of Keras (Gold) Australia Pty Ltd (**Keras Australia**) on 13 June 2017.

Keras Australia (the legal subsidiary) was deemed to be the acquirer for accounting purposes as it has obtained control over the operations of the legal acquirer Calidus (accounting subsidiary). Accordingly, the consolidated financial statements of Calidus have been prepared as a continuation of the financial statements of Keras Australia. Keras Australia (as the deemed acquirer) has accounted for the acquisition of Calidus from 13 June 2017. The comparative information presented in the consolidated financial statements is that of Keras Australia (see also Note i.a.ii Reverse acquisition).

1. Directors

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

- Mr David Reeves — Managing Director *(Appointed 13 June 2017)*
- Mr Keith Coughlan — Non-executive Chairman *(Appointed 13 June 2017)*
- Mr Peter Hepburn-Brown — Non-executive Director *(Appointed 13 June 2017)*
- Mr Adam Miethke — Non-executive Director *(Appointed 7 March 2017)*
- Mr Nicholas Young — Managing Director *(Resigned on 13 June 2017)*
- Dr Brendan de Kauwe — Non-executive Director *(Resigned on 13 June 2017)*

Directors have been in office since the start of the period to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 7 Information relating to the Directors of this Directors Report.

2. Company secretary

Mr James Carter (Chief Financial Officer) and Ms Kyla Garic are joint company secretaries of the Company. Mr Carter is a CPA and Chartered Company Secretary with over 20 years international experience in the resources industry.

3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2017.

4. Significant changes in the state of affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

4.1 Pharmanet Group Ltd (PNO) was incorporated on 29 September 1986, and listed on the ASX on 13 March 1987. On 15 April 2015, the then Board resolved to place the Company into voluntary administration and appointed Mr Jack James of Palisade Business Consulting as voluntary administrator of the Company including the following related entities:

- Cambridge Scientific Pty Ltd
- Thermalife International Pharmaceuticals Pty Ltd
- Pharmasolv Laboratories Pty Ltd

Following appointment of administrator, the powers of the Company's officers (including Directors) were suspended and the administrator assumed control of the Company's business, property and affairs.

At a meeting of creditors held on 30 May 2016, it was resolved that the Company enter into a Deed of Company Arrangement ("DOCA"). The DOCA was executed on 21 June 2016 and Jack James was appointed Deed Administrator.

At a meeting of creditors held on 3 July 2015, it was resolved that Pharmasolv Laboratories Pty Ltd be wound up and Jack James was appointed liquidator.

Directors' report

At a meeting of creditors held on 27 May 2016, it was resolved that Cambridge Scientifica Pty Ltd be wound up and Jack James was appointed liquidator.

At a meeting of creditors held on 27 May 2016, it was resolved that Thermalife International Pharmaceuticals Pty Ltd be wound up and Jack James was appointed liquidator.

The material terms of the DOCA were as follows:

- The DOCA is intended to satisfy creditors debts through the provision of a creditors payment of $120,000 and issue a total of 15,000,000 shares deemed value of $0.02 or a market value equivalent of $300,000 to secured Creditors Finebase Pty Ltd and Celtic Capital Pty Ltd (creditor payments).
- The creditor payment is to be made without any setoff, counterclaim or deduction whatsoever;
- The creditor payments will be used in full and final satisfaction of all creditors' claims (including those of an administrator); and
- The creditor payment will be raised through one or more capital raisings by the Company (which will be subject to the receipt of shareholder approval)

As announced on the 13 December 2016 the Deed Administrator and the Proponent (Otsana Capital) agreed to extend the Due Date of the DOCA to 30 May 2017.

On 10 February 2017, the Company's shareholders approved at its General Meeting:

- The issued capital of the Company be consolidated on the basis that every 300 shares be consolidated into 1 share;
- To issue up to 15,000,000 shares (on a post-consolidation basis) to secured creditors at a price of $0.02 per share to the creditors trust established under the DOCA on the terms and conditions set out;
- To issue up to 50,000,000 shares (on a post-consolidation basis) at a price of $0.02 per share;
- To issue up to 50,000,000 options (on a post-consolidation basis) to Otsana (or their nominees). Each option has an exercise price of $0.02 and will expire on the date that is 4 years after their issue;
- Election of Mr Adam Miethke, Mr Nicholas Young and Mr Brendan de Kauwe as Directors.

On 22 February 2017, the share consolidation was achieved through the conversion of 300 ordinary fully paid shares (2,002,565,241) for 1 ordinary fully paid share (6,676,035 post consolidation shares).

The effectuation of the DOCA on 7 March 2017 had the following financial effect:

- Claims of the Company's creditors as at 15 April 2015 now reside within the Creditors' Trust
- All cash at bank and any other assets at 7 March 2017 were transferred to the Creditors' Trust
- The payment of the promoters contribution of $120,000 was transferred to the Creditors' Trust;
- The company issued a total of 15,000,000 shares at a deemed value of $0.02 or a market value equivalent of $300,000 to secured creditors Finebase Pty Ltd and Celtic Capital Pty Ltd (Secured Creditor Payment) collectively referred to as the creditors payment); and
- The creditors payment was used in full and final satisfaction of all creditor claims (including those of the administrator).

On 22 March 2017, the Company entered into a conditional binding agreement to acquire 100% of Keras Australia. Keras Australia is a wholly-owned subsidiary of Keras Resources PLC, a company listed on AIM which controls the Warrawoona Gold Project. The acquisition will transform the Company into a new Australia gold development company, within the emerging gold belt of the Pilbara Goldfields District, a historically proven gold mining region.

On 30 May 2017 the shareholders approved the acquisition of Keras Australia and corresponding capital raising to fund the acquisition. On 13 June 2017 the Company successfully completed the acquisition of Keras Australia and the capital raising. On the same date the company changed its name from Pharmanet Group Limited to Calidus Resources Limited.

On 22 June 2017, the company was reinstated onto the official list.

Directors' report

On 28 June 2017, Keras Australia resolved to change its financial year-end from 30 September to 30 June. The annual report for the period ended 30 June 2017 shows the results for a period between 1 October 2016 to 30 June 2017.

5. Significant changes in principal activities

The following significant changes in the principal activities of the Group occurred during the financial period:

a. Acquisition of Keras (Gold) Australia Pty Limited (**Keras Australia)**

As announced to the Australian Securities Exchange (**ASX**) on 22 March 2017, the Company entered into a conditional binding agreement to acquire 100% of the issued capital of Keras (Gold) Australia Pty Ltd.

Under AASB 3 Business Combinations (**AASB 3**) this is treated as a 'reverse acquisition', whereby the accounting acquirer is deemed to be Keras (Gold) Australia Pty and Calidus Resources Limited is deemed to be the accounting acquiree. Refer to the effect upon the basis of preparation at note i.a.ii Reverse acquisition. Accordingly, financial information, including comparatives are reported on the bases as disclosed in this note.

Calidus has been consolidated into the Group from the date of control which was 13 June 2017.

b. Acquisition of Keras (Pilbara) Gold Pty Ltd (**Keras Pilbara**)

On 10 October 2016, Keras Australia acquired 100% of the issued capital of Keras Pilbara.

Under AASB 3 Business Combinations (**AASB 3**) this is treated as a business combination.

Keras Pilbara has been consolidated into the Group from the date of control which was 10 October 2016.

There were no other significant changes to the state of affairs of the Group.

6. Operating and financial review

6.1 Nature of Operations Principal Activities

Calidus is a gold exploration company that controls the Warrawoona Gold Project in the East Pilbara district of the Pilbara Goldfields in Western Australia.

6.2 Operations review (refer Operations review of page 4)

6.3 Financial review

a. Operating results

For the 2017 financial period the Group delivered a loss before tax of $2,460,463 (2016: $1,645,737 loss), representing a decline in profitability. However this figure includes an accounting entry of "corporate transaction accounting expense", as a result of the reverse takeover of $713,099.

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

b. Financial position

The net assets of the Group have increased from 30 June 2017 by $7,603,452 to $5,982,108 at 30 June 2017 (2016: $(1,621,344)).

As at 30 June 2017, the Group's cash and cash equivalents increased from 30 June 2016 by $4,367,722 to $4,441,885 at 30 June 2017 (2016: $74,163) and had working capital of $3,488,518 (2016: $(372,468) working capital deficit), as noted in Note 18d.

Directors' report

6.4 Events subsequent to reporting date

On 28 July 2017, the Company exercised the Epminex Option and issued 30,000 shares in consideration for a 50% interest in exploration licences 45/4555 and 45/4843.

On 18 August 2017, the Company implemented an employee securities incentive plan. The initial allocations made by the board to key employees are 7,500,000 shares to Jane Allen and 5,000,000 shares to James Cater. Both allocations have an issue price of 3 cents per share and these were funded by a limited recourse interest free loan. The share allocations are subject to a 12 month holding lock from being sold. If the loans are repaid in full then the Company would raise $375,000.

On 20 September 2017, the Company entered into a binding Term Sheet with Novo Resources Corp. to form a joint venture under which Calidus will have the right to acquire a 70% interest in Exploration Licenses 45/3381, 45/4194, 45/4622, 45/4666, and Prospecting Licences 45/2661, 45/2662, 45/2781 (Novo Tenements) and all related technical information held by Novo Resources Corp. The Novo Tenements surround the Company's flagship Warrawoona Gold Project and include direct extensions to the Klondyke Shear in the East Pilbara region of Western Australia.

On 25 September 2017, the Company went into a trading halt pending the release of an announcement in relation to a planned capital raising by the Company. The trading half is to last until the earlier of the Company releasing the announcement, or the commencement of trading on Wednesday 27 September 2017.

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 27 Events subsequent to reporting date.

6.5 Future developments, prospects and business strategies

Drilling is continuing in the known satellite deposits and is anticipated to be complete in late October. These satellite deposits have seen limited work but show a higher-grade tenor, such as the 6.1g/t Copenhagen resource.

A team of experienced field geologists has been deployed to assist in prioritising targets for the coming year as there is over 38km of un-explored, outcropping shears that the Company has the right to explore. With the Company focused on delivering a meaningful stand-alone operation at the appropriate juncture, the Company has commenced metallurgical test work and environmental monitoring to ensure a rapid progression through the various studies that lie ahead.

The Company continues to explore possibilities in the area for further consolidation as management believes the area has tremendous potential to sustain an operation over a long mine life. With a large amount of unexplored, known mineralised shears management believes that there are significant opportunities in the region that will assist any potential operations.

6.6 Environmental regulations

The Group's operations are subject to the environmental risks inherent in the mining industry.

Directors' report

7. Information relating to the Directors

■ **Mr David Reeves** Managing Director *(Appointed 13 June 2017)*

Qualifications	☐ Mining Engineer Bachelor of Engineering (1st Class honours), Grad Dip Applied Finance, WA Mine Managers Certificate
Experience	☐ Mr Reeves is a Perth-based, qualified mining engineer with 30 years of experience in the mining industry and is currently a non-executive Chairmen of European Metals Holdings Limited (ASX and AIM). Mr Reeves has extensive experience in international capital markets through his involvement with various listed London and Australia companies. Mr Reeves was the Project Manager of Zimplats and Afplats prior to their sale for a combined US$1 billion and prior to this, worked with Delta Gold in Zimbabwe and various gold companies in Western Australia in which he assumed various roles, including the position of Mine Manager.
Special responsibilities	☐ None
Interest in Shares and Options	☐ 5,640,000 Fully Paid Ordinary Shares 1,110,000 Listed Options, 2.5 cents, exp 13 June 2019 10,000,000 Unlisted Option, 3 cents, exp 13 June 2020
Directorships held in other listed entities	☐ Non-executive Chairman of European Metals Holdings Limited (ASX) Non-executive director of Keras Resources Plc (AIM)

■ **Mr Keith Coughlan** Non-executive Chairman *(Appointed on 13 June 2017)*

Qualifications	☐ BA
Experience	☐ Mr Coughlan has almost 30 years' experience in stockbroking and funds management. He has been largely involved in the funding and promoting of resource companies listed on ASX, AIM and TSX, has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds.
Special responsibilities	☐ Member of Audit and Remuneration Committee
Interest in Shares and Options	☐ 4,440,000 Fully Paid Ordinary Shares 1,110,000 Listed Options, 2.5 cents, exp 13 June 2019 5,000,000 Unlisted Options, 3 cents, exp 13 June 2020
Directorships held in other listed entities	☐ Managing Director of European Metals Holdings Limited (ASX & AIM) Non-executive Director of Southern Hemisphere Mining Limited (ASX)

■ **Mr Peter Hepburn-Brown** Non-executive Director *(Appointed on 13 June 2017)*

Qualifications	☐ Bachelor of Applied Science (Mining Engineering), Graduate Diploma in Human Resources
Experience	☐ Mr Hepburn-Brown is a qualified mining engineer with over 35 years' international mining experience.
Special responsibilities	☐ Member of Remuneration Committee
Interest in Shares and Options	☐ 1,333,334 Fully Paid Ordinary Shares 333,334 Listed Options, 2.5 cents, exp 13 June 2019 3,000,000 Unlisted Options, 3 cents, exp 13 June 2020
Directorships held in other listed entities	☐ Non-executive director of Keras Resources Plc (AIM) Non-executive director of Focus Minerals Limited (ASX)

Directors' report

■ **Mr Adam Miethke**		Non-executive Director *(Appointed on 7 March 2017)*
Qualifications	☐	Bachelor of Applied Science & MBA
Experience	☐	Mr Miethke is a geologist with over 16 years' experience in the metals and mining industry, including funds management and more recently as a corporate advisor. Mr Miethke initially worked for Rio Tinto's iron ore division before joining Snowden Mining Consultants where he worked across all commodities in Australia, Africa, Eastern Europe and South America. After completing an MBA in 2008, he joined Regent Pacific Group in Hong Kong as technical director, overseeing the group's investment portfolio. Between 2011 and 2016, Mr Miethke was a director of a corporate finance team at Argonaut Capital Limited and led Argonaut's metals and mining division.
Special responsibilities	☐	Member of Audit Committee
Interest in Shares and Options	☐	6,000,000 Unlisted Options, 3 cents, exp 13 June 2020
Directorships held in other listed entities	☐	None
■ **Mr Nicholas Young**		Non-executive Director *(resigned on 13 June 2017)*
Qualifications	☐	Bachelor of Commerce, CA
Experience	☐	Mr Young commenced his career in the Corporate Restructuring division of an accounting firm and has gained valuable experience in Australia and South Africa, across a wide range of industries, including mining and exploration, mining services, renewable energy, professional services, manufacturing and transport. Mr Young has been involved in the recapitalisation of various ASX-listed companies.
Special responsibilities	☐	None
Interest in Shares and Options	☐	Nil
Directorships held in other listed entities	☐	None
■ **Dr Brendan de Kauwe**		Non-executive Director *(Resigned on 13 June 2017)*
Qualifications	☐	Bachelor of Science, Bachelor of Dental Surgery and Postgraduate Diploma in Applied Finance
Experience	☐	Dr de Kauwe is a Director of Otsana Capital, a corporate advisory firm, with vast experience in corporate restructuring and recapitalisation, mergers and acquisitions, IPO/RTO and capital markets. Dr de Kauwe's corporate experience, coupled with his extensive technology, science and bio-medical background gives him an integral understanding in the evaluation and execution of projects and assets over divers range of sectors.
Special responsibilities	☐	None
Interest in Shares and Options	☐	3,800,000 Fully Paid Ordinary Shares *(at date of resignation)* 950,000 Listed Options, 2.5 cents, exp 13 June 2019 *(at date of resignation)*
Directorships held in other listed entities	☐	Non-executive director of Ookami Ltd (ASX) Non-executive director of Race Oncology Ltd (ASX)

Directors' report

8. Meetings of directors and committees

During the financial period there were no formal board meetings of the Directors. All decisions requiring directors approval were carried out by circulating resolution. Attendances by each Director during the period are stated in the following table.

	DIRECTORS' MEETINGS		AUDIT COMMITTEE		NOMINATION COMMITTEE		REMUNERATION COMMITTEE		FINANCE AND OPERATIONS COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
David Reeves	-	-								
Keith Coughlan	-	-								
Peter Hepburn-Brown	-	-								
Adam Miethke	-	-								
Nicholas Young	-	-								
Brendan de Kauwe	-	-								

At the date of this report, the Remuneration, Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. Post the financial year-end the board has approved the creation of a separate audit and remuneration committee.

9. Indemnifying officers or auditor

During or since the end of the financial period the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the Directors.

- The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a willful breach of duty in relation to the Company. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

- No indemnity has been paid to auditors.

Directors' report

10. Options

10.1 Unissued shares under option

At the date of this report, the un-issued ordinary shares of Calidus Resources Limited under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
9 June 2017	9 June 2019	$0.025	87,500,000
9 June 2017	9 June 2020	$0.025	31,000,000
22 June 2017	22 June 2021	$0.020	50,000,000
22 June 2017	22 June 2020	$0.030	24,000,000
			192,500,000

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

10.2 Shares issued on exercise of options

No ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the financial period.

11. Non-audit services

During the period, Moore Stephens, the Company's auditor, acted as the investigating accountant for the investigating accountant's report included in the prospectus of the Company dated 8 May 2017. Moore Stephens received fees to the amount of $28,500 for this service (2016: $nil). Details of remuneration paid to the auditor can be found within the financial statements at Note 29 Auditor's remuneration

In the event that non-audit services are provided by Moore Stephens, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

12. 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 period.

13. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the period ended 30 June 2017 has been received and can be found on page 32 of the annual report.

Directors' report

14. Remuneration report (audited)

The information in this remuneration report has been audited as required by s308(3C) of the Corporations Act 2001.

14.1 Key management personnel (**KMP)**

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP comprise the directors of the Company and key executive personnel:

- Mr David Reeves Managing Director *(Appointed 13 June 2017)*
- Mr Keith Coughlan Non-executive Chairman *(Appointed 13 June 2017)*
- Mr Peter Hepburn-Brown Non-executive Director *(Appointed 13 June 2017)*
- Mr Adam Miethke Non-executive Director *(Appointed 7 March 2017)*
- Mr Nicholas Young Managing Director *(Resigned on 13 June 2017)*
- Dr Brendan de Kauwe Non-executive Director *(Resigned on 13 June 2017)*
- Ms Jane Allen Geology Manager (*Appointed 23 May 2017*)
- Mr James Carter Chief Financial Officer and Co Company Secretary (*Appointed 13 June 2017*)

14.2 Principles used to determine the nature and amount of remuneration

The remuneration policy of the Company has been designed to ensure reward for performance is competitive and appropriate to the result delivered. The framework aligns executive reward with the creation of value for shareholders, and conforms to market best practice. The Board ensures that Director and executive reward satisfies the following key criteria for good reward government practices:

- Competitiveness and reasonableness;
- Acceptability to the shareholder;
- Performance;
- Transparency; and
- Capital management.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and Executives' performance. Currently, this is facilitated through the issues of options to the majority of Directors and Executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Board's policy for determining the nature and amount of remuneration for Board members and Senior Executive of the Company is as follows:

a. Executive Directors and other Senior Executives

The Company’s remuneration policy for executive directors and senior management is designed to promote superior performance and long-term commitment to the Company. Executives receive a base remuneration which is market related, and may receive performance based remuneration. The Board reviews Executive packages annually by reference to the Company's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries. Executives are also entitled to participate in employee share and option schemes. There is no scheme currently approved by shareholders.

b. Non-Executive Directors

The Company's Constitution provides that Directors are entitled to be remunerated for their services as follows:

☐ The total aggregate fixed sum per annum to be paid to the Directors (excluding salaries of executive Directors) from time to time will not exceed the sum determined by the Shareholders in general meeting and the total aggregate fixed sum will be divided between the Directors as the Directors shall determine and, in default of agreement between them, then in equal shares.

☐ The Directors' remuneration accrues from day to day.

Directors' report

The Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred by them respectively in or about the performance of their duties as Directors.

c. Fixed Remuneration

Other than statutory superannuation contribution, no retirement benefits are provided for Executive and Non-Executive Directors of the Company. To align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the company.

d. Performance Based Remuneration – Short-term and long-term incentive structure

The Board will review short-term and long-term incentive structures from time to time. Any incentive structure will be aligned with shareholders' interests.

- Short-term incentives

No short-term incentives in the form of cash bonuses were granted during the period.

- Long-term incentives

The Board has a policy of granting incentive options to executives with exercise prices above market share price. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Group increases sufficiently to warrant exercising the incentive options granted.

The executive Directors will be eligible to participate in any short term and long-term incentive arrangements operated or introduced by the Company (or any subsidiary) from time to time.

e. Service Contracts

Remuneration and other terms of employment for the directors, KMP and the company secretary are formalised in contracts of employment.

f. Engagement of Remuneration Consultants

During the financial period, the Company did not engage any remuneration consultants.

g. Relationship between Remuneration of KMP and Earnings

The Board does not consider earnings during the current and previous financial years when determining the nature and amount of remuneration of KMP.

14.3 Directors and KMP remuneration

Details of the remuneration of the Directors and KMP of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following table. As a result of the Reverse acquisition of Calidus Resources Limited by Keras (Gold) Australia Pty Limited on 13 June 2017, the disclosures contained in the table represent those calculated in accordance with AASB 124 Related Party Disclosures in combination with applying AASB 3 Business Combinations and in particular, the reverse acquisition provisions of that standard.

The amounts disclosed for the current financial period in the table represent remuneration paid by Keras (Gold) Australia Pty Limited (the accounting acquirer) to KMP and Directors of the accounting acquirer over the period 1 October 2016 to 13 June 2017 (the acquisition date) and remuneration paid by the Group following the completion of the acquisition on 13 June 2017 (The Post-acquisition Group) to KMP and Directors of the Post-acquisition Group from 13 June 2017 to 30 June 2017. This ensures that the remuneration report disclosures are calculated on a basis that is consistent with that applied in reporting the results and balances of the Group and related party disclosures in the Financial Statements under the reverse acquisition rules of AASB 3 Business Combinations.

Directors' report

No comparative information is disclosed as Keras (Gold) Australia Pty Limited (accounting acquirer) was not subject to section 300A of the Corporations Act 2001.

2017 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Options	
	$	$	$	$	$	$	$	$	$	$
David Reeves	17,000	-	-	-	-	-	-	-	3,811	20,811
Keith Coughlan	789	-	-	-	-	-	-	-	1,905	2,694
Peter Hepburn-Brown	526	-	-	-	-	-	-	-	1,143	1,669
Adam Miethkel	10,192	-	-	-	-	-	-	-	2,286	12,478
Nicholas Young	9,667	-	-	6,044	-	-	-	-	-	15,711
Brendan de Kauwe	-	-	-	-	-	-	-	-	-	-
Jane Allen	-	-	-	26,547	-	-	-	-	-	26,547
James Carter	-	-	-	9,772	-	-	-	-	-	9,772
	38,174	-	-	42,363	-	-	-	-	9,145	89,682

14.4 Service agreements

a. Executive Consultancy Agreement (**ECA**) with Mr Reeves

The Company has entered into an ECA with Wilgus Investments (Consultant) pursuant to which Mr Reeves will provide the following consultancy services commencing from 22 June 2017 (admission date):

- Serve the Company in the capacity as Managing Director responsible for the overall management and supervision of the activities, operations and affairs of the Company, subject to the overall control and direction of the Board;

- Provide the Company with information and reports as to the business and affairs of the Company as reasonably requested by the Board, and generally so as to keep the Company fully informed of all material developments in or relevant to the Company's affairs within the scope of the Mr Reeves' duties; and

- In providing the services, comply with the Listing Rules, Corporations Act, Constitution and the Company's policies and procedures generally (Consulting Services).

The total consultancy fee payable to Mr Reeves for the Consultancy Services is $17,000 per month plus GST (Consultancy Fee). Mr Reeves will also be issued with 10,000,000 Options. The Company will also reimburse Mr Reeves for reasonable expenses necessarily incurred in the performance of the Consultancy Services. The Consultancy Fee will be reviewed annually by the Board.

In the event of a change in control (which occurs when a person's voting power in the Company increases above 50%), Mr Reeves will receive a bonus payment equal to 12 months Consultancy Fee. However, this bonus will not be payable if, within 6 months after the change of control, either the Consultant or the Company terminates the consultancy in accordance with the ECA.

The ECA commences upon the Company gaining successful re-admission to the Official List and is for an indefinite term, continuing until terminated by either the Company or the Consultant.

The Consultant can terminate the ECA by giving not less than three months' written notice to the Company.

Directors' report

The Company can immediately terminate the ECA for any reason by written notice in which case the Company must make a termination payment equivalent to 3 months' consultancy fee. The Company is not required to make any termination payment in the event the consultancy is terminated summarily by the Company.

Mr Reeves is also subject to the standard obligations in relation to the protection of confidential information of the Company. The ECA contains additional provisions considered standard for agreements of this nature.

b. Non-executive Director Agreements

The Company entered into separate Non-executive Director letter agreement with each of Mr Coughlan, Mr Hepburn-Brown and Mr Miethke.

The Company has agreed to pay Mr Coughlan a director fee of $36,000 including superannuation per year for services provided to the Company as Non-executive Chairman and 5,000,000 Options.

The Company has agreed to pay Mr Hepburn-Brown a director fee of $24,000 including superannuation per year for services provided to the Company as Non-executive Director and 3,000,000 Options.

The Company has agreed to pay Mr Miethke a director fee of $24,000 including superannuation per year for services provided to the Company as Non-executive Director and 6,000,000 Options.

Payments to the Non-executive Directors will commence upon the Company gaining successful admission to the Official List.

c. Onyx Service Agreement

By three separate service agreements each dated 1 May 2017, Onyx has been engaged by the Company to provide the following services:

- CFO, accounting and book-keeping services commencing from 1 April 2017 until 30 June 2017. The Company will pay Onyx a monthly sum of $3,000 per month (excluding GST) for these services. Following the completion of acquisition Mr James Carter was appointed as CFO of the Company and will replace Onyx in this regard;

- Ongoing company secretarial services commencing from 7 March 2017. The Company will pay Onyx a monthly sum of $3,000 per month (excluding GST) for these services; and

- Historical financial reporting and account reconstruction. The services contemplated by this agreement are to be provided from 1 October 2016 until completion of the half year report for the period ending 31 December 2016. The consideration payable for these services is one off fee of $24,500, payable by the Company on receipt of the Public Offer proceeds.

These service agreements (Onyx Service Agreement) otherwise contain terms standard for service agreements of this nature.

Mr Young is director and minority shareholder of Onyx. The Board considers that the Onyx Service Agreements to be on arms' length and commercial terms.

Directors' report

d. Discovery Capital Partners Pty Ltd Engagement

The Company has entered into a corporate and financial advisor engagement with Discovery Capital Partners Pty Ltd (Discovery Capital) on 19 June 2017. The engagement commenced on execution of the agreement and continues for a period of at least twelve months. Discovery Capital has been engaged to provide the following services:

- Management support and board services;
- Promotion of Calidus;
- Providing the Company with continuing support and advise as necessary; and
- Such other services as are mutually agreed to be appropriate in the circumstances.

The Company will pay the following fees to Discovery Capital:

- An agreement has been made whereby Mr Adam Miethke has agreed to provide consulting services to the Company on an agreed rate of $1,000 per day.
- The Company will pay to Discovery Capital a monthly corporate advisory fee of $5,000.
- The Company will also pay to Discovery Capital a capital advisory fee of 1% of all capital raised by the Company during term of the engagement.
- The Company acknowledges and agrees that should the Company raise at least $5 million during the following 12 months or engagement term, then it shall appoint Discovery Capital as corporate advisor for a period of at least 12 months at $10,000 per month.
- The Company will also reimburse Discovery Capital for all out-of-pocket expense.

Mr Miethkel is a Director and 50% shareholder of Discovery Capital. The Board considers that the Discovery Capital engagement to be on arms' length and commercial terms.

e. Bedrock Consulting Agreement

The Company has entered into a consulting agreement with Bedrock Consulting (WA) Pty Ltd on 23 May 2017 pursuant to which Ms. Allen will provide all the geological aspects of the Company's assets, including, but not limited to:

- Managing greenfields exploration and supervising the Company's consulting in this area
- Designing and managing all drilling on the Company's tenements
- Managing all resources reporting
- Build a geological model for the Companies tenements
- Provide budgets and schedules for the above activities in consultation with the Managing Director
- Assist the Managing Director in writing releases and presentation and ensuring they are JORC, ASIC and ASX compliant
- Acting as the Competent Person for all exploration results

The Company will pay Ms Allen a fee of $850 per day worked (exclusive of GST), payable monthly upon receipt of an invoice. The Company will also reimburse Ms Allen for reasonable expenses necessarily incurred in the performance of the geological services.

Directors' report

f. James Carter's Consulting Agreement

There is currently no formal agreement between the Company and Mr Carter. The terms of Mr Carter's appointment are in the process of being drafted.

14.5 Share-based compensation

The Directors of the Company were issued 24,000,000 Options during the period ended 1 October 2016 to 30 June 2017.

There were no equity instruments issued during the period to Directors as result of options exercised that had previously been granted as compensation.

a. Securities Received that are not performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

b. Options and Rights Granted as Remuneration

The Directors were issued 24,000,000 Options during the period ended 1 October 2016 to 30 June 2017. The terms of the options were as follows:

Tranche 1

- 12,000,000 options issued to Directors that have an exercise price of $0.03 and expire on the date that is 3 years after their issue. Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- Options can be exercised 12 months after their issue.
- At the time of exercise, the Directors must still be a director of the Company, otherwise the Options shall lapse
- No options or rights were granted as remuneration for the financial year ended 30 September 2016.

Tranche 2

- 12,000,000 options issued to Directors that have an exercise price of $0.03 and expire on the date that is 3 years after their issue. Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- Options can be exercised 24 months after their issue.
- At the time of exercise, the Directors must still be a director of the Company, otherwise the Options shall lapse
- No options or rights were granted as remuneration for the financial year ended 30 September 2016.

Directors' report

14.6 KMP equity holdings

a. Fully paid ordinary shares of Calidus resources Limited held by each KMP

2017 – Group *Group KMP*	Balance at start of year No.	Held at the date of reverse acquisition No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
David Reeves	-	4,440,000	-	-	1,200,000	5,640,000
Keith Coughlan	-	4,440,000	-	-	-	4,440,000
Peter Hepburn-Brown	-	1,333,334	-	-	-	1,333,334
Adam Miethke	-	-	-	-	-	-
Nicholas Young	-	-	-	-	-	-
Brendan de Kauwe	-	3,800,000	-	-	-	3,800,000
Jane Allen	-	-	-	-	-	-
James Carter	-	500,000	-	-	-	500,000
	-	14,513,334	-	-	1,200,000	15,713,334

(1) Other changes during the year relate to acquisitions and disposals for Directors and their related parties.

b. Performance shares in Calidus Resources Limited held by each KMP

2017 – Group *Group KMP*	Balance at start of year No.	Granted as Remuneration during the year No.	Converted during the year No.	Other changes during the year No.	Balance at end of year No.	Vested and convertible No.	Not Vested No.
David Reeves	-	-	-	-	-	-	-
Keith Coughlan	-	-	-	-	-	-	-
Peter Hepburn-Brown	-	-	-	-	-	-	-
Adam Miethkel	-	-	-	-	-	-	-
Nicholas Young	-	-	-	-	-	-	-
Brendan de Kauwe	-	-	-	-	-	-	-
Jane Allen	-	-	-	-	-	-	-
James Carter	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

c. Options in Calidus Resources Limited held by each KMP

2017 – Group *Group KMP*	Balance at start of year No.	Granted as Remuneration during the year No..	Exercised during the year No.	Other changes during the year No.	Balance at end of year No.	Vested and Exercisable No.	Not Vested No.
David Reeves	-	10,000,000	-	1,110,000	11,110,000	-	11,110,000
Keith Coughlan	-	5,000,000	-	1,110,000	6,110,000	-	6,110,000
Peter Hepburn-Brown	-	3,000,000	-	333,334	3,333,334	-	3,333,334
Adam Miethkel	-	6,000,000	-	-	6,000,000	-	6,000,000
Nicholas Young	-	-	-	-	-	-	-
Brendan de Kauwe	-	-	-	950,000	950,000	-	950,000
Jane Allen	-	-	-	-	-	-	-
James Carter	-	-	-	500,000	500,000	-	500,000
	-	24,000,000	-	4,003,334	28,003,334	-	28,003,334

CALIDUS RESOURCES LIMITED

Directors' report

14.7 Other equity related KMP transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

14.8 Other transactions with KMP and or their related parties

During the 2017 financial year, the Group incurred the following amounts to related parties:

- Office Rent – Wilgus Investments Pty Ltd $52,300 (30 September 2016: $41,000)

  Keras Australia and Wilgus Investments Pty Ltd are party to a sub-lease agreement dated on or about 1 September 2015 in respect of a portion of the office space at 12/11 Ventnor Avenue, West Perth (Office Lease Agreement).

  Mr Reeves (Managing Director of the Company) is a director of Wilgus Investments Pty Ltd.

  The Office Lease Agreement commenced on 1 September 2015 and ends on 30 June 2018.

  The rent payable by Keras Australia under the agreement is $48,000 per annum (Rent). The Rent is subject to annual review on 1 July each year commencing 1 July 2016, at which the rent will be increased by the greater of market rent review and CPI review as provided for in the Head Lease.

  On 1 June 2017, the rent was increased from $48,000 per annum to $51,600 per annum due to an increase in space required by the Company.

- Management fee - Keras Resources Plc $377,066 (30 September 2016: $486,500)

  Keras Australia and Keras Resources Plc (Keras Resources) were parties to a corporate and technical services agreement dated on 1 December 2015 (Corporate Service Agreement). This agreement was terminated in June 2017 as part of the Company's reinstatement to trading on the ASX.

- Discovery Capital & Otsana Mandate – Joint Lead Manager Fee $575,541 (30 September 2016: Nil)

  Discovery Capital Partners Pty Ltd (Discovery) and Otsana Pty Ltd (Otsana) entered into an agreement with the Company dated 1 May 2017 to provide lead manager and related services for the Company in relation to potential strategic acquisitions, structuring and restructuring and capital raising including to act as joint lead managers in connection with the public offer as detailed in the Prospectus lodged on 8 May 2017 (Joint Lead Manager Mandate).

  Otsana and Discovery were entitled to a 6% capital raising fee on all capital raised under the public offer. Any third party brokerage fees shall be payable by the joint lead managers out of this fee.

  The Joint Lead Manager Mandate otherwise contains terms standard for a mandate of this nature.

  Mr Miethkel is a director and a 50% shareholder of Discovery Capital. Dr de Kauwe is a director of Otsana and Mr Young is an authorized representative of Otsana. The Directors consider the mandate to be on arm's length and commercial terms.

  As at 30 June 2017, invoices totalling $34,389 are payable to Discovery Capital in relation to the Discovery Capital & Otsana Mandate.

Directors' report

- Discovery Capital Mandate

  Keras Resources Plc entered into an agreement with Discovery Capital Partners Pty Ltd (Discovery) on 17 April 2017 to engage Discovery as their exclusive corporate and financial advisor in relation to the acquisition of Keras Australia by Calidus and the public offer detailed in the prospectus dated 8 May 2017 (Discovery Capital Mandate).

  The term of the Discovery Capital Mandate is for a period of 4 months from date of execution. The Discovery Capital Mandate will terminate on 17 August 2017, unless otherwise agreed.

  Keras Australia shall pay Discovery Capital the following fees upon the Company's re-listing on the ASX:

  (a) 3.5% of shares to be issued to Keras Resources Plc pursuant to the consideration offer (being 7,875,000 shares)
  (b) 3.5% of shares issued on conversion of the Performance Shares to be issued to Keras Resources Plc pursuant to the consideration offer (being a maximum of 18,375,000 shares); and
  (c) a cash fee of $150,000.

  Mr Miethkel is a director and a 50% shareholder of Discovery Capital. The Discovery Capital Mandate otherwise contains terms standard for a mandate of this nature.

  As at 30 June 2017, invoices totalling $165,000 (inclusive of GST) are payable to Discovery Capital in relation to the Discovery Capital Mandate.

- Otsana Mandate – Corporate advisory fee $1,800,000 (30 September 2016: Nil)

  Otsana entered into an agreement with the Company dated 1 April 2017 to act as a corporate advisor to the Company in connection with the public offer and acquisition of Keras Australia by Calidus (Ostana Mandate). In consideration for these services, Otsana, on successful completion of the acquisition of Keras Australia and re-listing of the Company, shall be issued 90,000,000 Shares under the facilitator offer in lieu of corporate advisory and success fee.

  The Otsana Mandate otherwise contains terms standard for a mandate of this nature. Dr de Kauwe is a director of Otsana and Mr Young is an authorised representative of Otsana. The Board considers the Otsana Mandate to be on arms' length commercial terms.

Refer also Note 23 Related party transactions.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).

KEITH COUGHLAN
Non-executive Chairman
Dated this Monday, 25 September 2017

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CALIDUS RESOURCES LIMITED

As lead auditor of Calidus Resources Limited, I declare, that to the best of my knowledge and belief, during the period ended 30 June 2017 there have been:

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Calidus Resources Limited and the entities it controlled during the period.

SUAN-LEE TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 25th day of September 2017.

Consolidated statement of profit or loss and other comprehensive income

for the period between 1 October 2016 to 30 June 2017

	Note	1 October 2016 to 30 June 2017 $	1 October 2015 to 30 September 2016 $
Continuing operations			
Revenue	5	1,679,266	3,733,966
		1,679,266	3,733,966
Costs of Sales		(1,860,465)	(4,377,084)
		(181,199)	(643,118)
Acquisition premium expensed to statement of profit and loss	4c	(680,064)	-
Compliance costs		(135,134)	(33,123)
Corporate transaction accounting expense	3d	(713,099)	-
Depreciation and amortisation		(3,659)	(9,531)
Employment costs	6	(45,105)	(101,830)
Finance costs		(99,199)	(15,018)
Insurance fees		(61,645)	-
Keras PLC management fee	23	(377,066)	(486,500)
Legal and consulting fees		(77,955)	(328,889)
Occupancy costs		(64,756)	(59,782)
Share-based payments	20	(9,145)	-
Share registry and listing fees		(27,409)	-
Travel and accommodation		(24,370)	(47,578)
Other expenses		72,114	(67,400)
Foreign exchange loss		(32,772)	147,032
Loss before tax		(2,460,463)	(1,645,737)
Income tax benefit / (expense)	7	-	-
Net (loss) / profit for the period		(2,460,463)	(1,645,737)
Other comprehensive income, net of income tax		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(2,460,463)	(1,645,737)
Profit/(loss) for the period attributable to:			
■ Non-controlling interest		-	-
■ Owners of the parent		(2,460,463)	(1,645,737)
Total comprehensive income/(loss) attributable to:			
■ Non-controlling interest		-	-
■ Owners of the parent		(2,460,463)	(1,645,737)
Earnings per share:		¢	¢
Basic and loss per share (cents per share)	8	(1.94)	(1.68)

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

Consolidated statement of financial position
as at 30 June 2017

	Note	30 June 2017 $	30 September 2016 $
Current assets			
Cash and cash equivalents	9	4,441,885	74,163
Trade and other receivables	10	188,439	199,706
Inventories	12	-	1,025,970
Other current assets	11	10,078	69,064
Total current assets		4,640,402	1,368,903
Non-current assets			
Plant and equipment	13	56,360	43,157
Exploration and evaluation assets	14	2,781,809	250,000
Other non-current assets	11	24,993	49,993
Total non-current assets		2,863,162	343,150
Total assets		7,503,564	1,712,053
Current liabilities			
Trade and other payables	15	1,141,806	1,603,653
Short-term provisions	16	379,650	-
Short-term financial liabilities	17	-	68,654
Total current liabilities		1,521,456	1,672,307
Non-current liabilities			
Long-term financial liabilities	17	-	1,661,090
Total non-current liabilities		-	1,661,090
Total liabilities		1,521,456	3,333,397
Net assets		5,982,108	(1,621,344)
Equity			
Issued capital	18a	10,363,420	308,650
Performance shares	18c	-	-
Reserves	19	9,145	-
Accumulated losses		(4,390,457)	(1,929,994)
Total equity		5,982,108	(1,621,344)

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of change in equity

for the period between 1 October 2016 to 30 June 2017

	Note	Issued Capital $	Option Reserve $	Accumulated Losses $	Total $
Balance at 1 October 2015		323,650	-	(284,257)	39,393
Loss for the year attributable owners of the parent		-	-	(1,645,737)	(1,645,737)
Other comprehensive income for the period attributable owners of the parent		-	-	-	-
Total comprehensive income for the year attributable owners of the parent		-	-	(1,645,737)	(1,645,737)
Transaction with owners, directly in equity					
Shares issued during the year		-	-	-	-
Transaction costs		(15,000)	-	-	(15,000)
Balance at 30 September 2016		308,650	-	(1,929,994)	(1,621,344)
Balance at 1 October 2016		308,650	-	(1,929,994)	(1,621,344)
Loss for the period attributable owners of the parent		-	-	(2,460,463)	(2,460,463)
Other comprehensive income for the period attributable owners of the parent		-	-	-	-
Total comprehensive income for the period attributable owners of the parent		-	-	(2,460,463)	(2,460,463)
Transaction with owners, directly in equity					
Shares issued during the period	18a	12,397,033	-	-	12,397,033
Options issued during the period	18b, 19a	-	9,145	-	9,145
Transaction costs	18a	(2,342,263)	-	-	(2,342,263)
Balance at 30 June 2017		10,363,420	9,145	(4,390,457)	5,982,108

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the period between 1 October 2016 to 30 June 2017

	Note	1 October 2016 to 30 June 2017 $	1 October 2015 to 30 September 2016 $
Cash flows from operating activities			
Receipts from customers		1,691,476	3,733,837
Payments for suppliers and employees		(2,742,445)	(5,224,670)
Interest received		-	129
Interest and borrowings costs		(7,713)	-
Net cash used in operating activities	9d.i	(1,058,682)	(1,490,704)
Cash flows from investing activities			
Sale/ (purchase) of plant and equipment		(1,863)	(38,962)
Net cash acquired on acquisition of subsidiary net of cash consideration paid	9g.ii, 9h	7,510,148	-
Deposit paid for purchase of subsidiary		-	(299,993)
Proceeds from Bank Guarantee		25,000	-
Net cash used in investing activities		7,533,285	(338,955)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Payments for capital raising costs		(491,513)	(15,000)
Proceeds from borrowings		2,198,136	1,808,123
Repayment of borrowings		(3,813,504)	-
Net cash provided by financing activities		(2,106,881)	1,793,123
Net increase in cash held		4,367,722	(36,536)
Cash and cash equivalents at the beginning of the period		74,163	110,699
Cash and cash equivalents at the end of the period	9b	4,441,885	74,163

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

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Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

These are the consolidated financial statements and notes of Calidus Resources Limited (**Calidus** or **the Company**) and controlled entities (collectively **the Group**). Calidus is a company limited by shares, domiciled and incorporated in Australia.

The separate financial statements of Calidus, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

The financial statements were authorised for issue on 25 September 2017 by the directors of the Company.

a. Basis of preparation

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

i. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

ii. Reverse acquisition

Calidus (formerly Pharmanet Group Ltd) is listed on the Australian Securities Exchange. The Company completed the legal acquisition of Keras (Gold) Australia Pty Limited (**Keras (Gold) Australia Pty**) on 13 June 2017.

Keras (Gold) Australia Pty Limited (the legal subsidiary) was deemed to be the acquirer for accounting purposes as it has obtained control over the operations of the legal acquirer Calidus (accounting subsidiary). Accordingly, the consolidated financial statements of Calidus have been prepared as a continuation of the financial statements of Keras (Gold) Australia Pty Limited. Keras (Gold) Australia Pty Limited (as the deemed acquirer) has accounted for the acquisition of Calidus from 13 June 2017. The comparative information presented in the consolidated financial statements is that of Keras (Gold) Australia Pty Limited.

The impact of the reverse acquisition on each of the primary statements is as follows:

- The consolidated statement of comprehensive income:
  - for the period between 1 October 2016 to 30 June 2017 comprises 9 months of Keras (Gold) Australia Pty Limited and the period from 13 June 2016 to 30 June 2017 of Calidus; and
  - for the comparative period comprises 1 October 2015 to 30 September 2016 of Keras (Gold) Australia Pty Limited.
- The consolidated statement of financial position:
  - as at 30 June 2017 represents both Keras (Gold) Australia Pty Limited and Calidus as at that date ;and
  - as at 30 September 2016 represents Keras (Gold) Australia Pty Limited as at that date.
- The consolidated statement of changes in equity:
  - for the period between 1 October 2016 to 30 June 2017 comprises Keras (Gold) Australia Pty Limited's balance at 1 October 2016, its loss for the period and transactions with equity holders for 9 months. It also comprises Calidus transactions within equity from 13 June 2017 to 30 June 2017 and the equity value of Keras (Gold) Australia Pty Limited and Calidus at 30 June 2017. The number of shares on issue at period end represent those of Calidus only.
  - for the comparative period comprises 1 October 2015 to 30 Septmeber 2016 of Keras (Gold) Australia Pty Limited's changes in equity.

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

- The consolidation statement of cash flows:
  - for the period ended 30 June 2017 comprises:
    - the cash balance of Keras (Gold) Australia Pty Limited as at 1 October 2016;
    - the cash transactions for the 9 months (9 months of Keras (Gold) Australia Pty Limited and the period from 13 June 2017 to 30 June 2017 of Calidus); and
    - the cash balances of Keras (Gold) Australia Pty Limited and Calidus at 30 June 2017.
  - for the comparative period comprises 1 October 2015 to 30 September 2016 of Keras (Gold) Australia Pty Limited's cash transactions.

iii. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1m.

iv. Comparative figures

Where required by AASBs comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

b. Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 October 2016 but determined that their application to the financial statements is either not relevant or not material.

c. Principles of consolidation

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

less

- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

ii. Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 21 Controlled Entities of the financial statements.

iii. Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, than such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

iv. Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

d. Exploration and evaluation expenditure

i. Recognition and measurement

Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation costs are recognised as an asset if the rights of the area of interest are current and either:

- The expenditures are expected to be recouped through successful development and exploitation of the areas of interest; or
- Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

ii. Subsequent measurement

Exploration and evaluation assets are assessment for impairment if:

- Sufficient data exists to determine technical feasibility and commercial viability.
- Facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see accounting policy 1iii.j Impairment of non-financial assets)

For the purpose of the impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to mine properties within property, plant and equipment.

The value of the Group's interest in exploration expenditure is dependent upon:

- The continuance of the Group's right to tenure of the areas of interest;
- The result of future exploration; and
- The recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subjected to claim(s) under Native Title (or jurisdictional equivalent), or contain sacred sites, or sites of significance to the indigenous people of Australia.

As a result, exploration properties or areas within the tenement may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum to such claims.

e. Taxation

i. Income tax

The income tax expense / (income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items recognised outside profit or loss.

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

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

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

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

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

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

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return and disclosed as such in Note 7 Income Tax.

f. Revenue and other income

Interest revenue is recognised in accordance with note 1l. ix. Finance income and expenses.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or there is a risk of return of goods or there is continuing management involvement with the goods.

All revenue is stated net of the amount of value added taxes (note 1g Goods and Services Tax).

g. 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 taxation authority. 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.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the balance sheet.

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.

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

h. Plant and Equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1iii.j Impairment of non-financial assets and note 13 Property, plant, and equipment)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

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

ii. Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

iii. Depreciation

With the exception of exploration and evaluation assets, depreciation is charged to the income statement on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

Depreciation rates and methods are reviewed annually for appropriateness. The depreciation rates used for the current and comparative period are:

	2017 $	2016 $
Plant and Equipment	33%-66%	33%-66%

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

i. Financial instruments

i. Initial recognition and measurement

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified on the contract expire or are discharged or cancelled.

ii. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

iii. Classification and Subsequent Measurement

(1) *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of nine months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the Statement of financial position.

(2) *Loans*

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(3) *Trade and other receivables*

Trade and other receivables are stated at amortised costs. Receivables are usually settled within 60 days.

Collectability or trade and other debtors is reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment provision is raised for any doubtful amounts.

(4) *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 and stated at their amortised cost. The amounts are unsecured and are generally settled on 30 day terms.

(5) *Share capital*

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

iv. Amortised cost

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

v. Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

vi. Effective interest method

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

vii. Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in the income statement.

Note 1 Statement of significant accounting policies

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the income statement.

viii. Derecognition

Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

ix. Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

j. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy 1e Taxation) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

k. Employee benefits

i. Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

ii. Other long-term benefits

The Group's obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

iii. Retirement benefit obligations: Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

iv. Equity-settled compensation

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

l. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

m. Leases

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

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in the income statement on a straight-line basis over the term of the lease.

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

n. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

o. Critical Accounting Estimates and Judgments

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Key judgements and estimates – Business Combinations

Refer note 3 Business combinations.

ii. Key Estimate – Exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to accounting policy stated in note 14 Exploration and evaluation assets. The carrying value of capitalised expenditure at reporting date is $2,781,809.

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

The ultimate recoupment of the value of the exploration and evaluation assets and mine properties is dependent on successful development and commercial exploitation or alternatively, sale, of the underlying mineral exploration properties. The Group undertakes at lease on an annual basis a comprehensive review for indicators of impairment of these assets. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgement that are considered in this review include:

- Recent drilling results and reserves and resource estimates;
- Environmental issues that may impact the underlying tenements;
- The estimated market value of assets at the review date;
- Independent valuations of underlying assets that may be available;
- Fundamental economic factors such as diamond prices, exchange rates and current and anticipated operating costs in the industry; and
- The Group's market capitalisation compared to its net assets.

Information used in the review process is rigorously tested to externally available information as appropriate.

iii. Key Estimate —Environmental Issues

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

iv. Key judgements and estimates – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions. Refer Note 7 Income Tax.

p. New Accounting Standards and Interpretations not yet mandatory or early adopted

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 financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

i. 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.

The Directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

ii. 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.

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 1 Statement of significant accounting policies

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:

(1) Identify the contract(s) with a customer;

(2) Identify the performance obligations in the contract(s);

(3) Determine the transaction price;

(4) Allocate the transaction price to the performance obligations in the contract(s); and

(5) 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 not have a material impact on the Group's revenue recognition and disclosures.

iii. AASB 16: *Leases (applicable to annual reporting periods commencing on or after 1 January 2019).*

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

The Directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's recognition of leases and disclosures.

iv. 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.

Note 2 Company details

The registered office of the Company is:

Address:

Street: Suite 12, 11 Ventnor Avenue, WEST PERTH WA 6005

Postal: Suite 12, 11 Ventnor Avenue, WEST PERTH WA 6005

Telephone: +61 (0)8 6245 2050

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 3 Business combinations

a. **Keras (Gold) Australia Pty Limited (Keras)**

On 13 June 2017, Calidus Resources Limited (formerly Pharmanet Group Ltd) (**Calidus**), acquired 100% of the ordinary share capital and voting rights of (**Keras**) as described in the prospectus issued 5 May 2017.

Under AASB 3 *Business Combinations* (**AASB 3**) this is treated as a 'reverse acquisition', whereby the accounting acquirer is deemed to be Keras and Calidus is deemed to be the accounting acquiree. Refer to the effect upon the basis of preparation at note i.a.ii Reverse acquisition.

b. **Acquisition consideration**

As consideration for the issued capital of Keras (Gold) Australia Pty Limited, issued 250,000,000 ordinary shares to the vendors of Keras (Gold) Australia Pty Limited.

c. **Fair value of consideration transferred**

Under the principles of AASB 3, the transaction between Calidus and Keras (Gold) Australia Pty Limited is being treated as a reverse acquisition. As such, the assets and liabilities of the legal subsidiary (the accounting acquirer), being Keras (Gold) Australia Pty Limited, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being Calidus are measured at fair value on the date of acquisition.

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (Keras (Gold) Australia Pty Limited) in the form of equity instruments issued to the shareholders of the legal parent entity (Calidus). The acquisition-date fair value of the consideration transferred has been determined by reference to the fair value of the number of shares the legal subsidiary (Keras (Gold) Australia Pty Limited) would have issued to the legal parent entity Calidus to obtain the same ownership interest in the combined entity.

d. **Goodwill** (Corporate transaction accounting expense)

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the acquired. Details of the transaction are as follows:

	Fair value $
Fair value of consideration transferred	8,053,521
Fair value of assets and liabilities held at acquisition date:	
■ Cash	8,207,572
■ Other current assets	44,968
■ Trade and other payables	(532,469)
■ Provisions	(379,650)
Fair value of identifiable assets and liabilities assumed	7,340,422
Goodwill (Corporate transaction accounting expense)	713,099

The goodwill calculated above represents goodwill in Calidus, however this has not been recognised as Calidus (the accounting acquiree) is not a business. Instead the deemed fair value of the interest in Keras (Gold) Australia Pty Limited issued to existing Calidus shareholders to effect the combination (the consideration for the acquisition of the public shell company) was recognised as an expense in the income statement. This expense has been presented as a "Corporate transaction accounting expense" on the face of the consolidated statement of profit or loss and comprehensive income".

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 4 Business combinations

a. Keras (Pilbara) Gold Pty Ltd

On 10 October 2016, Keras acquired 100% of the ordinary share capital and voting rights in its subsidiary Keras (Pilbara) Gold Pty Ltd (Keras Pilbara) (Formerly known as Arcadia Minerals Pty Ltd).

b. Acquisition consideration

As consideration for the issued capital of Keras Pilbara, Keras paid $700,000 in cash and issued 100,000,000 shares in Keras Resources PLC valuated at $1,046,126. Keras also assumed the liabilities in Keras Pilbara of $702,406 and repaid these amounts in full.

c. Acquisition premium

The identifiable net assets of the acquiree are remeasured to their fair value on the date of acquisition (i.e. the date that control passes). Acquisition premium is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the acquired. Details of the transaction are as follows:

	Fair value $
Fair value of:	
■ Cash consideration to acquire 100% of Keras Pilbara	700,000
■ Share consideration to acquire 100% of Keras Pilbara	1,046,126
	1,746,126
Fair value of assets and liabilities held at acquisition date:	
■ Cash	2,576
■ Property, plant and equipment	15,000
■ Exploration assets	1,750,000
■ Other non-current assets	840
■ Trade and other payables	52
■ Loans (net of loans deemed to form part of consideration 2a.i)	(702,406)
Fair value of identifiable assets and liabilities assumed	1,066,062
Acquisition premium expensed to statement of Profit and Loss	680,064

CALIDUS
RESOURCES LIMITED

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 5 Revenue and other income

	2017 $	2016 $
a. **Revenue**		
Revenue	1,569,735	3,733,837
Reimbursements	109,379	-
Interest	152	129
	1,679,266	3,733,966

Note 6 Profit / (loss) before income tax

The following significant revenue and expense items are relevant in explaining the financial performance:

	2017 $	2016 $
a. **Employment costs:**		
■ Directors fees	25,706	-
■ Superannuation expenses / (reimbursement)	1,777	8,835
■ Wages and salaries	17,622	92,995
■ Other employment related costs	-	-
	45,105	101,830

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 7 Income tax	**Note**	2017 $	2016 $
a. **Income tax expense / (benefit)**			
Current tax		-	-
Deferred tax		-	-
		-	-
Deferred income tax expense included in income tax expense comprises:			
■ Increase / (decrease) in deferred tax assets	7e	-	-
■ (Increase) / decrease in deferred tax liabilities		-	-
		-	-
b. **Reconciliation of income tax expense to prima facie tax payable**			
The prima facie tax payable / (benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Prima facie tax on operating loss at 27.5% (2016: 28.5%)		(676,627)	(469,035)
Add / (Less)			
Tax effect of:			
□ Non-deductible share-based payments		2,515	-
□ Non-assessable income		-	(19,311)
□ Deferred tax asset not brought to account		674,112	488,346
Income tax expense / (benefit) attributable to operating loss		-	-
		%	%
c. The applicable weighted average effective tax rates attributable to operating profit are as follows		-	-
		$	$
d. Balance of franking account at year end of the legal parent		nil	nil

CALIDUS RESOURCES LIMITED

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 7 Income tax (cont.)	Note	2017 $	2016 $
e. Deferred tax assets			
Tax losses		1,851,116	885,399
Inventory		-	292,401
Provisions and accruals		177,651	99,426
Capital raising costs		2,475	3,206
		2,031,242	1,280,432
Set-off deferred tax liabilities	7f	(217,173)	-
Net deferred tax assets		1,814,069	1,280,432
Less deferred tax assets not recognised		(1,814,069)	(1,280,432)
Net tax assets		-	-
f. Deferred tax liabilities			
Exploration expenditure		217,173	-
		217,173	-
g. **Tax losses and deductible temporary differences**			
Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		7,386,335	4,492,747
		7,386,335	4,492,747

Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2017 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 8 Earnings per share (EPS)	Note	2017 $	2016 $
a. **Reconciliation of earnings to profit or loss**			
(Loss) / profit for the year		(2,460,463)	(1,645,737)
Less: loss attributable to non-controlling equity interest		-	-
(Loss) / profit used in the calculation of basic and diluted EPS		(2,460,463)	(1,645,737)
		2017 No.	**2016 No.**
b. **Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS**	8e	126,754,199	97,844,397
		2017 ¢	**2016 ¢**
c. **Earnings per share**			
Basic EPS (cents per share)	8d	(1.94)	(1.68)

d. At the end of the 2017 financial year, the Group has 192,500,000 unissued shares under options (2016: nil) and 525,000,000 performance shares on issue (2016: Nil). The Group does not report diluted earnings per share on annual losses generated by the Group. During the 2017 financial year the Group's unissued shares under option and partly-paid shares were anti-dilutive.

e. As noted in 1a.ii, the equity structure in these consolidated financial statements following the reverse acquisition reflects the equity structure of Calidus, being the legal acquirer (the accounting acquiree), including the equity interests issued by Calidus to effect the business combination.

   i. In calculating the weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the year ended 30 June 2017:

      (1) the number of ordinary shares outstanding from 1 July 2016 to 13 June 2017 (deemed acquisition date) are computed on the basis of the weighted average number of ordinary shares of Keras (Gold) Australia Pty Limited, (legal acquiree / accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the acquisition agreement; and

      (2) the number of ordinary shares outstanding from 13 June 2017 to the end of year shall be the actual number of ordinary shares of Calidus outstanding during that period.

   ii. The basic EPS for the period ended 2016 shall be calculated by dividing:

      (1) the profit or loss of the Keras (Gold) Australia Pty Limited attributable to ordinary shareholders in each of those periods by

      (2) the Keras (Gold) Australia Pty Limited's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 9 Cash and cash equivalents	Note	2017 $	2016 $
a. **Current**			
Cash at bank		4,441,885	74,163
		4,441,885	74,163
b. **Reconciliation of cash**			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
■ Cash and cash equivalents		4,441,885	74,163
		4,441,885	74,163

c. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26 Financial risk management.

d. **Cash Flow Information**	Note	2017 $	2016 $
i. Reconciliation of cash flow from operations to (loss)/profit after income tax			
Loss after income tax		(2,460,463)	(1,645,737)
Cash flows excluded from (loss)/profit attributable to operating activities		-	-
Non-cash flows in (loss)/profit from ordinary activities:			
■ Depreciation and amortisation		3,659	9,531
■ Corporate transaction accounting expense	3d	713,099	-
■ Non-cash finance costs		91,486	-
■ Acquisition premium expensed to statement of profit and loss	4c	680,064	-
■ Foreign exchange loss		35,724	(147,032)
■ Share-based payments	20	9,145	-
■ Other expenses		(17,793)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
■ (Increase)/decrease in receivables		(158,948)	(29,492)
■ (Increase)/decrease in other assets and prepayments		62,111	(410)
■ (Increase)/decrease in inventories		1,025,970	(1,025,970)
■ (Increase)/decrease in tenement assets		(761,975)	-
■ Increase/(decrease) in trade and other payables		(280,761)	1,348,406
Cash flow from operations		(1,058,682)	(1,490,704)

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 9 Cash and cash equivalents (cont)

e. **Credit standby facilities**

The Group has no credit standby facilities.

f. **Non-cash investing and financing activities**

Refer to note 9g below.

During the current and prior period Keras (Gold) Australia Pty Limited did not have a bank account and as such the sole Director's and Calidus Resources Limited's (formerly Pharmanet Group) bank accounts were used to facilitate the transactions of the entity pre-settlement (14 June 2017).

These transactions have been treated as cash flows of Keras (Gold) Australia Pty Limited for the purposes of disclosure in this financial report.

g. **Acquisition of Calidus**	Note	2017 $
On 13 June 2017, Calidus, acquired 100% of the ordinary share capital and voting rights of Keras (Gold) Australia Pty Limited as described in Note 3 Business combinations:		
i. Purchase consideration:		
Theoretical equity consideration issued under a reverse acquisition	3d	8,053,521
Total consideration		8,053,521
ii. Cash acquired:		
Cash held by Calidus at date of acquisition	3d	8,207,572
Cash in-flow on acquisition		8,207,572
iii. Assets and liabilities held at acquisition date (excluding cash) excluded from the consolidated statement of cash flow:		
■ Other current assets	3d	44,968
■ Trade and other payables	3d	(532,469)
■ Provisions	3d	(379,650)

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 9 Cash and cash equivalents (cont)

h. **Acquisition of Keras Pilbara**

On 10 October 2016. Keras (Gold) Australia Pty Ltd, acquired 100% of the ordinary shares and voting rights of Keras (Pilbara) Gold Pty Ltd as described in Note 3 Business combinations:

i. Purchase consideration:		
Cash consideration	4c	700,000
Share consideration	4c	1,046,126
Total consideration		1,746,126
ii. Cash acquired:		
☐ Cash held by Keras Pilbara at date of acquisition	4c	2,576
Cash in-flow on acquisition		-
iii. Assets and liabilities held at acquisition date (excluding cash) excluded from the consolidated statement of cash flow:		
■ Property, plant and equipment	4c	15,000
■ Exploration assets	4c	1,750,000
■ Other non-current assets	4c	840
■ Trade and other payables	4c	52
■ Loans (net of loans deemed to form part of consideration 2a.i)	4c	(702,406)

Note 10 Trade and other receivables

	2017 $	2016 $
a. **Current**		
Trade Receivables	977	(3,228)
Sundry Debtors	27,318	879
GST Receivable	160,144	170,215
Keras Australia Pty Ltd	-	20,940
Keras (Pilbara) Gold Pty Ltd	-	10,900
	188,439	199,706

b. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26 Financial risk management.

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 11 Other assets	2017 $	2016 $
a. **Current**		
Prepayments	10,078	69,064
	10,078	69,064
b. **Non-current**		
Performance guarantee	24,993	24,993
Bank Guarantee	-	25,000
	24,993	49,993

Note 12 Inventories	2017 $	2016 $
a. **Current**		
Inventory	-	1,025,970
	-	1,025,970

Note 13 Property, plant, and equipment	2017 $	2016 $
a. **Non-current**		
Computer and Software	17,770	15,908
Accumulated depreciation	(12,124)	(9,203)
	5,646	6,705
Mining equipment	51,782	36,781
Accumulated depreciation	(1,068)	(329)
	50,714	36,452
Total plant and equipment	56,360	43,157

b. **Movements in Carrying Amounts**	Computer and software $	Mining equipment $	Total $
Carrying amount at the beginning of year	6,705	36,452	43,157
■ Additions	1,862	-	1,862
■ Disposals	-	-	-
■ Business acquisition	-	15,000	15,000
■ Depreciation expense	(2,921)	(738)	(3,659)
Carrying amount at the end of year	5,646	50,714	56,360

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 14 Exploration and evaluation assets		2017 $	2016 $
a. **Non-current**			
Exploration expenditure capitalised:			
Exploration and evaluation phase at cost		2,781,809	250,000
Net carrying value		2,781,809	250,000
b. **Movements in carrying amounts**			
Balance at the beginning of year		250,000	-
Expenditure during the period		781,809	-
Business acquisition	4c	1,750,000	-
Licence – Mining Rights		-	250,000
Carrying amount at the end of year		2,781,809	250,000

Note 15 Trade and other payables	Note	2017 $	2016 $
a. **Current**			
Unsecured			
Trade payables	15b	873,701	1,227,214
Accruals		266,352	348,864
Employment related payables		1,674	-
Other payables		79	27,575
		1,141,806	1,603,653

b. Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 30 days.

c. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26 Financial risk management.

Note 16 Provision	2017 $	2016 $
a. **Current**		
Provision for Stamp Duty	379,650	-
	379,650	-

Note 17 Borrowings	2017 $	2016 $
a. **Current**		
Insurance Premium Funding	-	68,654
	-	68,654
b. **Non-current**		
Loan from related entities	-	1,661,090
	-	1,661,090

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 18 Issued capital

	Note	2017 No.	2016 No.	2017 $	2016 $
Fully paid ordinary shares at no par value		717,736,035	9,000,000	10,363,420	308,650
a. **Ordinary shares**					
At the beginning of the period		9,000,000	9,000,000	308,650	323,650
Shares issued during the year:					
■ Issue of shares to Keras Resources PLC		11,687,669	-	2,542,312	-
Balance before reverse acquisition		20,687,669	9,000,000	2,850,962	323,650
■ Elimination of existing legal acquiree (Keras (Gold) Australia Pty Limited) shares		(20,687,669)	-	-	-
■ Shares of legal acquirer (Calidus) at acquisition date		402,676,035	-	-	-
■ Issue of shares to Keras (Gold) Australia Pty vendors		225,000,000	-	8,053,521	-
■ Issue of Lead Manager shares		90,000,000	-	1,800,000	-
■ Issue of Epminex shares		60,000	-	1,200	-
Transaction costs relating to share issues		-	-	(2,342,263)	(15,000)
At reporting date		717,736,035	9,000,000	10,363,420	308,650
b. **Options**					
Options		192,500,000	-	9,145	-
At the beginning of the period		-	-	-	-
Options of legal acquirer (Calidus) at acquisition date		168,500,000	-	-	-
Issue of options to directors		24,000,000	-	9,145	-
At reporting date		192,500,000	-	9,145	-
c. **Performance shares**					
Performance Shares (Milestone 1)		250,000,000	-	-	-
Performance Shares (Milestone 2)		275,000,000	-	-	-
At reporting date		525,000,000	-	-	-

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 18 Issued capital (continued)

The Company has 525,000,000 performance shares on issue with the following milestones:

Milestone	Number to be converted No.
Milestone 1: The performance shares will convert into fully paid shares upon the earlier of: • The announcement of a JORC 2012 compliant indicated or Measured Resource of at least 6Mt with cut of grade of 0.5g/t for at least 500,000oz of gold at the Klondyke Gold Project; or • Sale (directly or indirectly) of all or part of the Warrawoona Gold Project for a cash consideration of at least $50,000,000. This must be achieved on or before 5:00pm (WST) on the date, which is 18 months after the issue date.	250,000,000
Milestone 2: The performance shares will convert into fully paid shares upon the earlier of: • The announcement of a positive pre-feasibility study which demonstrates the project is commercially viable; or • Sale of all or part of the Warrawoona Gold Project for a cash consideration of at least $50,000,000. This must be achieved on or before 5:00pm (WST) on the date, which is 36 months after the issue date.	275,000,000
	525,000,000

No value has been allocated to the performance shares due to the significant uncertainty of meeting the performance milestones which are based on future events. To date, none of the Milestones have been met.

d. **Capital Management**

The Directors' objectives when managing capital are to ensure that the Group can maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the availability of liquid funds in order to meet its short term commitments.

The focus of the Group's capital risk management is the current working capital position against the requirements of the Group in respect to its operations, software developments programmes, and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group were as follows:

	Note	2017 $	2016 $
Cash and cash equivalents	9	4,441,885	74,163
Trade and other receivables	10	188,439	199,706
Inventory		-	1,025,970
Trade and other payables	15	(1,141,806)	(1,603,653)
Short-term borrowings	17	-	(68,654)
Working capital position		3,488,518	(372,468)

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 19 Reserves

		2017 $	2016 $
Option reserve	19a	9,145	-
		9,145	-

		2017 $	2016 $
a. **Options Reserve**			
Balance at the beginning of the financial year		-	-
Equity based payments	20	9,145	-
Balance at the end of the financial year		9,145	-

The option reserve records items recognised as expenses on the value of directors and employee equity issues.

At 30 June 2017 the following options are outstanding:

- 87,500,000 listed options exercisable at 2.5 cents expiring on or before 13 June 2019 were issued as part of the prospectus dated 5 May 2017.
- 31,000,000 unlisted options exercisable at 2.5 cents expiring on or before 13 June 2020.
- 50,000,000 unlisted options exercisable at 2 cents expiring on or before 18 April 2021 were issued to the lead manager as detailed in the prospectus dated 5 May 2017.
- 12,000,000 unlisted options exercisable 12 months from issue date at 3 cents expiring on or before 13 June 2020 were issued to key management personnel.
- 12,000,000 unlisted options exercisable 24 months from issue date at 3 cents expiring on or before 13 June 2020 were issued to key management personnel.

Note 20 Share-based payments	**Note**	2017 $	2016 $
Share-based payment expense	19a	9,145	-
Gross share-based payments		9,145	-

a. **Share-based payment arrangements in effect during the period**

i. Director Options

In consideration for acting as a director of Calidus, the Company issued 24,000,000 Options with terms and summaries below and further detailed in Note 20c:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
12,000,000	13 June 2020	$0.03	12 months from issue date
12,000,000	13 June 2020	$0.03	24 months from issue date

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 20 Share-based payments (cont.)

b. **Movement in share-based payment arrangements during the period**

A summary of the movements of all company options issued as share-based payments is as follows:

	2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Assumed on business combination	81,000,000	$0.022	-	-
Granted	24,000,000	$0.030	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	105,000,000	$0.024	-	-
Exercisable at year-end	105,000,000	$0.024	-	-

i. No options were exercised during the year.

ii. The weighted average exercise price of outstanding options at the end of the reporting period was $0.024.

iii. The fair value of the options granted is deemed to represent the value of the employee services received over the vesting period.

c. **Fair value of options grants during the period**

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was $0.0109 (2016: nil). These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options issued this year:

Grant date:	13 June 2017
Grant date share price:	$0.020
Option exercise price:	$0.030
Number of options issued:	24,000,000
Term (years):	3.00
Expected share price volatility:	100.46%
Risk-free interest rate:	1.65%
Value per option	$0.0109

Volatility has been based comparable companies that have gone through a recapitalisation recently.

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 21 Controlled entities

a. **Legal parent entity**

Calidus Resources Limited is the ultimate parent of the Group (refer to note 1a.ii).

i. **Legal subsidiaries**	Country of Incorporation	Class of Shares	Percentage Owned	
			2017	2016
■ Keras (Gold) Australia Pty Limited	Australia	Ordinary	100.0	-
■ Keras (Pilbara) Gold Pty Limited	Australia	Ordinary	100.0	-

b. **Accounting parent entity**

Keras (Gold) Australia Pty Limited is the accounting parent of the Group (refer to note 1a.ii).

i. **Accounting subsidiaries**	Country of Incorporation	Class of Shares	Percentage Controlled	
			2017	2016
■ Calidus Resources Limited	Australia	Ordinary	100.0	-
■ Keras (Pilbara) Gold Pty Limited	Australia	Ordinary	100.0	-

c. Investments in subsidiaries are accounted for at cost.

Note 22 Key Management Personnel compensation (KMP)

The names are positions of KMP are as follows:

- Mr David Reeves — Managing Director *(Appointed 13 June 2017)*
- Mr Keith Coughlan — Non-executive Chairman *(Appointed on 13 June 2017)*
- Mr Peter Hepburn-Brown — Non-executive Director *(Appointed on 13 June 2017)*
- Mr Adam Miethke — Non-executive Director *(Appointed on 7 March 2017)*
- Mr Nicholas Young — Non-executive Director (*Resigned on 13 June 2017)*
- Dr Brendan de Kauwe — Non-executive Director (*Resigned on 13 June 2017)*
- Ms Jane Allen — Geology Manager *(Appointed on 23 May 2017)*
- Mr James Carter — Chief Financial Officers & Co Company Secretary *(Appointed on 13 June 2017)*

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 25.

	2017 $	2016 $
Short-term employee benefits	80,537	-
Post-employment benefits	-	-
Share-based payments	9,145	-
Other long-term benefits	-	-
Termination benefits	-	-
Total	89,682	-

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 23 Related party transactions	2017 $	2016 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
■ Office Rent - Wilgus Investments Pty Ltd	52,300	41,000
■ Management Fee - Keras Resources PLC	377,066	486,500
■ Discovery Capital & Otsana Mandate – Joint Lead Manager fee	575,451	-
■ Otsana Mandate – Corporate advisory fee (a)	1,800,000	-

(a) On successful completion of the acquisition of Keras Australia and re-listing of the Company. Otsana was issued 90,000,00(shares under the facilitator offer in lieu of corporate advisory and success fee. Refer to Note 18 Issued Capital.

Refer to the Remuneration Report point 14.8 for further information regarding the terms of the related party transactions.

Note 24 Commitments

The Group has no material commitments as at 30 June 2017 (2016: nil).

Note 25 Operating segments

For management purposes, the Group's operations are organised into one operating segment domiciled in the same country, which involves the exploration and exploitation of Gold minerals in Australia. All of the Group's activities are inter-related, and discrete financial information is reported to the Managing Director 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 statement of comprehensive income. The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of these financial statements.

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 26 Financial risk management

a. **Financial Risk Management Policies**

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

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's Financial Assets and Liabilities is shown below:

	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2017 Total $	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2016 Total $
Financial Assets								
☐ Cash and cash equivalents	4,441,885	-	-	4,441,885	74,163	-	-	74,163
☐ Trade and other receivables	-	-	188,439	188,439	-	-	199,706	199,706
☐ Financial assets	-	-	-	-	-	-	-	-
Total Financial Assets	4,441,885	-	188,439	4,630,324	74,163	-	199,706	273,869
Financial Liabilities								
Financial liabilities at amortised cost								
☐ Trade and other payables	-	-	1,141,806	1,141,806	-	-	1,603,653	1,603,653
☐ Short-term financial liabilities	-	-	-	-	-	68,654	-	68,654
☐ Long-term financial liabilities	-	-	-	-	1,661,091	-	-	1,661,091
Total Financial Liabilities	-	-	1,141,806	1,141,806	1,661,091	68,654	1,603,653	3,333,398
Net Financial Assets/(Liabilities)	4,441,885	-	(953,367)	3,488,518	(1,586,928)	(68,654)	(1,403,947)	(3,059,529)

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 26 Financial risk management (cont.)

b. **Specific Financial Risk Exposures and Management**

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

i. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the statement of financial position.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

- *Credit risk exposures*

  The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

  Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, where ever possible.

- *Impairment losses*

  The ageing of the Group's trade and other receivables at reporting date was as follows:

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 26 Financial risk management (cont.)

	Gross 2017 $	Impaired 2017 $	Net 2017 $	Past due but not impaired 2017 $
Trade receivables				
Not past due	977	-	977	-
Past due up to 15 days	-	-	-	-
Past due 15 days to 3 months	-	-	-	-
Past due over 3 months	-	-	-	-
Less intra-Group balances	-	-	-	-
	977	-	977	-
Other receivables				
Not past due	197,540	-	197,540	-
Total	198,517	-	198,517	-

ii. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group.

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

Typically the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 26 Financial risk management (cont.)

Other than the trust account insurer liabilities, the financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

- *Contractual Maturities*

The following are the contractual maturities of financial liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $
Financial liabilities due for payment						
Trade and other payables	1,141,806	1,603,653	-	-	1,141,806	1,603,653
Borrowings	-	68,654	-	1,661,090	-	1,729,745
Total contractual outflows	1,141,806	1,672,307	-	1,661,091	1,141,806	3,333,398
Financial assets						
Cash and cash equivalents	4,441,885	74,163	-	-	4,441,885	74,163
Trade and other receivables	188,439	199,706	-	-	188,439	199,706
Total anticipated inflows	4,630,324	273,869	-	-	4,630,324	273,869
Net (outflow)/inflow on financial instruments	3,488,518	(1,398,438)	-	(1,661,091)	3,488,518	(3,059,529)

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

iii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Board meets on a regular basis and considers the Group's interest rate risk.

(1) ***Interest rate risk***

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Due to the low amount of debt exposed to floating interest rates, interest rate risk is not considered a high risk to the Group. Movement in interest rates on the Group's financial liabilities and assets is not material.

(2) ***Foreign exchange risk***

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The Group has no material exposure to foreign exchange risk.

(3) ***Price risk***

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

Notes to the consolidated financial statements
for the period ended 30 June 2017

Note 26 Financial risk management (cont.)

iv. Sensitivity Analyses

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

(1) ***Interest rates***	Profit $	Equity $
Year ended 30 June 2017		
±50 basis points change in interest rates	± 22,209	± 22,209
Year ended 30 June 2016		
±50 basis points change in interest rates	± (7,935)	± (7,935)

v. Net Fair Values

(1) ***Fair value estimation***

The fair values of financial assets and financial liabilities are presented in the table in note 26a and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Note 27 Events subsequent to reporting date

On 28 July 2017, the company exercised the Epminex Option and issued 30,000 shares in consideration for a 50% interest in exploration licences 45/4555 and 45/4843.

On 18 August 2017, the company implemented an employee securities incentive plan. The initial allocations made by the board to key employees are 7,500,000 shares to Jane Allen and 5,000,000 shares to James Cater. Both allocations have an issue price of 3 cents per share and these were funded by a limited recourse interest free loan. The share allocations are subject to a 12 month holding lock from being sold. If the loans are repaid in full then the Company would raise $375,000.

On 20 September 2017, the Company entered into a binding Term Sheet with Novo Resources Corp. to form a joint venture under which Calidus will have the right to acquire a 70% interest in Exploration Licenses 45/3381, 45/4194, 45/4622, 45/4666, and Prospecting Licences 45/2661, 45/2662, 45/2781 (Novo Tenements) and all related technical information held by Novo Resources Corp. The Novo Tenements surround the Company’s flagship Warrawoona Gold Project and include direct extensions to the Klondyke Shear in the East Pilbara region of Western Australia.

On 25 September 2017, the Company went into a trading halt pending the release of an announcement in relation to a planned capital raising by the Company. The trading half is to last until the earlier of the Company releasing the announcement, or the commencement of trading on Wednesday 27 September 2017.

There are no other material events subsequent to reporting date.

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 28 Contingent liabilities

a. **Royalties**

Keras Gold has obligation to pay royalties, based on minerals produced, pursuant to the acquisition agreement for Arcadia Minerals Pty Ltd (now Keras (Pilbara) Gold Pty Ltd). The royalties will only become due and payable when and if mining commences.

b. **Haoma Mining NL Right to Mine and Option to Purchase Agreement**

On 13 September 2016, Keras Gold entered into an agreement with Haoma Mining NL which gives Keras Gold the right to mine a number of tenements prospective for gold covering 650 hectares near to the Klondyke Gold Project. Under the terms of the agreement Keras Gold has an option to purchase the tenements at any time within 5 years from 13 September 2016 for consideration comprising:

- The payment of $500,000; and
- Issue to Haoma 37,500,000 Shares (subject to shareholder approval) or pay an additional $750,000 (at the election of Haoma)

The option to purchase the Haoma Tenements may be exercised at the election of the Company. If the option is exercised, the Company will either need to reallocate its use of funds or raise further capital (depending on if and when the Company elects to exercise the 5 year options). The potential issue of the 37,500,000 Shares is subject to Shareholder Approval. Shareholders should be aware that if these Shares are issued, their interest will be diluted as a result.

The directors are not aware of any other contingent liabilities that may have arisen from the Groups operations as at 30 June 2017.

Note 29 Auditor's remuneration

	2017 $	2016 $
Remuneration of the auditor of the company for:		
Auditing or reviewing the financial reports	27,071	12,000
Other services provided by a related practice of the auditor	28,500	-
	55,571	12,000

Notes to the consolidated financial statements

for the period ended 30 June 2017

Note 30 Parent entity disclosures

The following information has been executed from the books and records of the legal parent Calidus Resources Limited (formerly Pharmanet Group Limited) have been prepared in accordance with Australian Accounting Standards and the accounting policies as outlined in Note 1. Pharmanet Group Limited was in DOCA from 21 June 2016 to 7 March 2017, and as such the current Directors have had limited access over the financial records of the Company pertaining to that period.

	June 2017 $	June 2016 $
a. **Financial Position of Calidus Resources Limited (legal parent)**		
Current assets	8,084,471	107,043
Non-current assets	-	-
Total assets	8,084,471	107,043
Current liabilities	974,505	3,990,852
Non-current assets	-	-
Total liabilities	974,505	3,990,852
Net assets	7,109,966	(3,883,809)
Equity		
Issued capital	34,122,908	26,782,036
Performance Shares	-	-
Options reserve	1,517,269	1,661,550
Accumulated losses	(28,530,221)	(32,327,395)
Total equity	7,109,956	(3,883,809)
b. **Financial performance of Calidus Resources Limited**		
Profit / (loss) for the year	2,527,192	(718,016)
Other comprehensive income	-	-
Total comprehensive income	2,527,192	(718,016)

c. **Guarantees entered into by Calidus Resources Limited for the debts of its subsidiaries**

There are no guarantees entered into by Calidus Resources Limited for the debts of its subsidiaries as at 30 June 2017 (2016: none).

d. **Comparatives**

The financial position of Calidus Resources Limited is as at 30 June 2017 for the current year and 30 June 2016 for the comparative year.

The financial performance of Calidus Resources Limited is for the period between 1 July 2016 to 30 June 2017 and for the comparative period between 1 July 2015 to 30 June 2016.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 33 to 71, are in accordance with the *Corporations Act 2001* (Cth) and:

    (a) comply with Accounting Standards;

    (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and

    (c) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Group.

    (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

KEITH COUGHLAN
Non-executive Chairman
Dated this Monday, 25 September 2017

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CALIDUS RESOURCES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Qualified Opinion

We have audited the financial report of Calidus Resources Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 1 October 2016 to 30 June 2017, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 period then ended; and

ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Qualified Opinion

The parent entity information is required to be disclosed under the Corporations Regulation 2001 and attention is drawn to Note 30 Parent Entity Financial Information in the Financial Report. The information disclosed refers to the legal parent entity, previously known as Pharmanet Group Limited, and as disclosed in Note 30 the current Directors of the company were unable to access the financial records of Pharmanet Group Limited whilst it was in DOCA. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

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

Key Audit Matters

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

MOORE STEPHENS

Accounting for Reverse Acquisition	
Refer to Note 1(a)(ii) "Reverse acquisition" & Note 3 "Business combinations"	
As disclosed in Notes 1(a)(ii) and 3 of the financial report during the year, the Company acquired Keras (Gold) Australia Pty Ltd and its controlled entity on 13 June 2017 for consideration of 225 million shares and 525 million performance shares. The audit of the reverse acquisition is a key audit matter due to the effect of the arrangement which is accounted for as Keras (Gold) Australia Pty Ltd (the accounting parent) issuing a share-based payment in return for the assets acquired in the Company and a listing status. Furthermore, judgment is involved in the determination of the value of the purchase consideration settled by way of a share-based payment presented as a "Corporate Transaction Accounting Expense" on the face of the consolidated statement of profit or loss and other comprehensive income (see Note 3d)	Our procedures included: • Reviewing the share purchase agreement / binding term sheet and its underlying terms and conditions; • Holding discussions with management as to the background of the transaction; • Evaluated the basis of valuation of the share-based payment and challenged the underlying assumption of the valuation against comparable transactions and available market data; • Obtaining an understanding of the transaction including an assessment of the accounting acquirer and whether the transaction constituted a business or an asset acquisition; • Checked the calculation of the share-based payment, net assets acquired and listing expense or premium; • Checked that the disclosures in the financial statements is in accordance with the basis of preparation as disclosed in Note 1 (a)(ii) for the reverse acquisition. We also assessed the adequacy of other related disclosures in the financial statements.

MOORE STEPHENS

Accounting for Exploration & Evaluation Assets	
Refer to Notes 1(d) & Note 14 "Exploration & Evaluation Assets"	
At 30 June 2017, the Group's statement of financial position includes capitalised exploration and evaluation assets of $2.78 million, representing 37% and 46% of the Group's total and net assets respectively. The ability to recognise and to continue to defer exploration and evaluation assets under AASB 6: *Exploration for and Evaluation of Mineral Resource* is impacted by the Group's ability, and intention, to continue to explore the tenements or its ability to realise this value through development or sale. Due to the significance of these assets and the subjectivity involved in assessing the ability to continue to defer these assets, this is considered a key audit matter.	Our procedures included, amongst others: • We addressed the Group's assessment of the ability to continue to defer the exploration and evaluation assets under AASB 6 by specifically ensuring that: • the Group has the ongoing right to explore in the relevant exploration areas of interests which included obtaining and assessing relevant documentation such as tenement registers (Department of Mines WA) / other agreements; • the Group is committed to continue to conduct exploration and evaluation activity in the relevant exploration areas of interest including assessing their exploration expenditures that have been either budgeted for and discussions with management as to the intentions and strategy of the Group. • Compared the market capitalisation of the Group against its net asset position at 30 June 2017. The market capitalisation was significantly higher. We also assessed the appropriateness of the disclosures contained in the financial report.

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 period 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.

MOORE STEPHENS

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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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, international omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.
- 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.
- 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.

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 financial report of the current period and are therefore the 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.

MOORE STEPHENS

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the period ended 30 June 2017.

In our opinion, the Remuneration Report of Calidus Resources Limited, for the period 1 October 2016 to 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

S TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on the 25th day of September 2017

Corporate governance statement

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The Company's governance-related documents can be found on its website at www.calidus.com.au under the section marked "*Corporate and Management*".

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which: (a) sets out the respective roles and responsibilities of the board, the chair and management; and (b) includes a description of those matters expressly reserved to the board and those delegated to management.	YES	The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter. The responsibilities of the Board include but are not limited to: (a) setting and reviewing strategic direction and planning; (b) reviewing financial and operational performance; (c) identifying principal risks and reviewing risk management strategies; and (d) considering and reviewing significant capital investments and material transactions. In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	YES	The Board carefully considers the character, experience, education and skillset, as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate, prior to their election. The Company has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director, is disclosed in the notice of meeting provided to shareholders.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	The Company has a written agreement with each of the Directors. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Company Secretary is accountable to the Board for facilitating the Company's corporate governance processes and the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary. In accordance with the Company's Constitution, the appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out in the Annual Report.

<table>
<tr><th>PRINCIPLES AND RECOMMENDATIONS</th><th>COMPLY (YES/NO)</th><th>EXPLANATION</th></tr>
<tr><td>Recommendation 1.5
A listed entity should:
(a) have a diversity policy which includes requirements for the board:
(i) to set measurable objectives for achieving gender diversity; and
(ii) to assess annually both the objectives and the entity's progress in achieving them;
(b) disclose that policy or a summary or it; and
(c) disclose as at the end of each reporting period:
(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and
(ii) either:
(A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</td><td>NO (not followed in full)</td><td>The Company is committed to creating a diverse working environment and promoting a culture which embraces diversity and has adopted a written policy. Given the size of the Company and scale of its operations, however, the Board is of the view that setting measurable objectives for achieving gender diversity is not required at this time. Further as the Company has not established measurable objectives for achieving gender diversity, the Company has not reported on progress towards achieving them.</td></tr>
<tr><td>Recommendation 1.6
A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</td><td>NO</td><td>Whilst the Company has a written policy, the Board recognises that as a result of the Company's size and the stage of the entity's life as a public listed exploration company, the assessment of the directors' and executives' overall performance and its own succession plan is conducted on an informal basis. Whilst this is at variance with the ASX Recommendations, for the financial year ended June 2017, the Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place.</td></tr>
<tr><td>Recommendation 1.7
A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of its senior executives; and
(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</td><td>NO</td><td>Refer above.</td></tr>
<tr><th colspan="3">Principle 2: Structure the board to add value</th></tr>
<tr><td>Recommendation 2.1
The board of a listed entity should:
(a) have a nomination committee which:
(i) has at least three members, a majority of whom are independent directors; and
(ii) is chaired by an independent director,
and disclose:
(iii) the charter of the committee;
(iv) the members of the committee; and
(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</td><td>NO (not followed in full)</td><td>As a result of the Company's size and the stage of the entity's life as a publicly listed exploration company and given the size of the Board at present a Nomination Committee has been recently established with only two non-executive members. The Nomination Committee has been combined with the Remuneration Committee and they will plan meet from time to time to review the skill mix required for the Board and, where gaps are identified, they embark on a process to fill those gaps. This is undertaken on an informal basis.</td></tr>
</table>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	NO (not followed in full)	The details of the skill set of the current Board members are set out in the description of each Director in the Annual Report. The Board believes that the current skill mix is appropriate given the Company's size and the stage of the entity's life as a publicly listed exploration company.
Recommendation 2.3 **A listed entity should disclose:** (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director	YES	Mr Keith Coughlan was appointed to the board as Non-executive Chairman on 13 June 2017 and is an independent director. A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	NO	The Board comprises four Directors of whom one is considered to be an Independent Director. The Board is of the opinion that the current structure of the Board is appropriate given the size and nature of the Company. Whilst this is at variance to the ASX Recommendations that the majority composition of the Board comprise Independent Directors, the Board considers that all Directors bring an independent judgement to bear on Board decisions and that the Board's expertise and experience adds considerable value to the Company.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	YES	Mr Keith Coughlan is an independent director.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	NO	The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed exploration company, the Board has not put in place a formal program for inducting new directors. However, it does provide a package of background information on commencement and provides ready interaction with the Company's personnel to gain a stronger understanding of the business. Similarly, the Company does not at this stage provide professional development opportunities for Directors. More formal processes for both of these areas will be considered in the future as the Company develops.
Principle 3: Act ethically and responsibly		
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	YES	The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (Code), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board, and is disclosed on the Company's website. The Code applies to all Directors, employees, contractors and officers of the Company.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 4: Safeguard integrity in financial reporting		
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	NO	The Board has recently established an audit and risk committ The Chair of the Audit and Risk Committee is different to the Chair of the Board.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	In accordance with ASX Recommendation 4.2 the Chief Executive Officer (or their equivalent) and Chief Financial Officer (or their equivalent) are required to provide assurances that the written declarations under s295A of the Corporations Act (and for the purposes of ASX Recommendation 4.2) are founded on a sound framework of risk management and internal control and that the framework is operating effectively in all material respects in relation to financial reporting risks. Both the Chief Executive Officer and Chief Financial Officer provide such assurances at the time the s295A declarations are provided to the Board.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Company's external audit function is performed by Moore Stephens. Representatives of Moore Stephens will attend the Annual General Meeting and be available to answer shareholder questions regarding the audit.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	YES	The Company operates under the continuous disclosure requirements of the ASX Listing Rules and has adopted a policy, which is disclosed on the Company's website. The Continuous Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff. The Company Secretary manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	The Company keeps investors informed of its corporate governance, financial performance and prospects via its website – www.Calidus.com.au. Investors can access copies of all announcements to the ASX, notices of meetings, annual reports and financial statement, and investor presentations via the 'Investors' tab and can access general information regarding the Company and the structure of its business under the 'Overview' and 'Features' tabs.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows: • the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001; • the half yearly financial report lodged with the ASX and ASIC and sent to all shareholders who request it; • notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders; • notices of all meetings of shareholders; • publicly released documents including full text of notices of meetings and explanatory material made available on the Company's website at www.Calidus.com.au; and • disclosure of the Corporate Governance practices and communications strategy on the entity's website. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact for Shareholders to make their enquiries.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	The Company provides its investors the option to receive communications from and send communications to, the Company and the share registry electronically.
Principle 7: Recognise and manage risk		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	NO	Due to the size of the Board, the Company does not have a separate Risk Committee. The Board has recently established an Audit and Risk Committee which is responsible for the oversight of the Company's risk management and control framework. The Board has adopted a Risk Management Policy, which is disclosed on the Company's website as part of the Audit and risk committee Charter.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	YES	The Board recognises that there are inherent risks associated with the Company's operations including commercial, technological legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risks is presented to the Board. The Board reviews the risk profile of the Company and monitors risk informally throughout the year.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	NO	The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.
Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	As already outlined above in relation to various ASX Recommendations, the Company constantly monitors and reviews the key risks that affect the Company and the management of those risks. The risks which the Company has identified that it has a material exposure to are its ability to raise funds within an acceptable time frame and on terms acceptable to it ("Capital Risk"); and that its existing projects, or any other projects that it may acquire in the future, will be able to be economically exploited ("Economic Risk"). The manner in which the Company manages those risks, in the case of Capital Risk, to monitor the market and investment appetite and to raise further required capital in a timely manner such that the Company's operations are adequately funded; in the case of Economic Risk, to adopt a diversified portfolio approach and to also adopt a focused approach, seeking to lay off risk where possible. More information about the Company's management of risk can be found in the prospectus released 16 May 2017.
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	NO	The Company has adopted a joint Nomination and Remuneration Committee which is chaired by an independent director, however, given the current size of the company there are only two non-executive directors on this committee. The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	YES	Details of the Company's policies on remuneration are set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	N/A	The Company's Security Trading Policy includes a statement prohibiting directors, officers and employees from dealing at any time in financial products such as warrants, futures or other financial products issued over PRA markets, but does not specifically prohibit entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of their security holding in the Company or of participating in unvested entitlements under any equity based remuneration schemes. Security Trading Policy In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information: a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities; b) trading in the Company's securities which is not subject to the Company's trading policy; and c) the procedures for obtaining written clearance for trading in exceptional circumstances. The Company's Security Trading Policy is available on the Company's website.

Additional ASX Information as at 19 September 2017

The following additional information is required by the Australian Securities Exchange in respect of listed public companies. As at 19 September 2017 there were 2,558 holders of Ordinary Fully Paid Shares.

Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares**: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Listed Options, Unlisted Options and Performance Shares**: Options and performance shares do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.

20 Largest Shareholders — Ordinary Shares as at as at 19 September 2017

Rank	Name	Number of Ordinary Fully Paid Shares	% Held of Ordinary Issued Capital
1	KERAS RESOURCES PLC	217,125,000	29.73%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,760,869	6.27%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	38,904,793	5.33%
4	PERSHING AUSTRALIA NOMINEES PTY LTD <INDIAN OCEAN A/C>	19,103,437	2.62%
5	BUZZ CAPITAL PTY LTD <ZI VESTMENT A/C>	14,800,000	2.03%
6	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	13,500,000	1.85%
7	MEDEK INVESTMENTS PTY LTD <MEDEK SUPER FUND A/C>	11,000,000	1.51%
8	SUNSET TIDAL PTY LTD	11,000,000	1.51%
9	ROMFAL SIFAT PTY LTD <THE FIZMAIL FAMILY A/C>	9,300,000	1.27%
10	DISCOVERY SERVICES PTY LTD <DISCOVERY CAPT INV UNIT A/C>	8,625,000	1.18%
11	BLURRED VISION INVESTMENTS PTY LTD <BLURRED VISION A/C>	8,450,000	1.16%
12	JANE ALLEN	7,500,000	1.03%
13	NATIONAL NOMINEES LIMITED	6,978,833	0.96%
14	MR GARY PADMORE	6,000,000	0.82%
15	CITICORP NOMINEES PTY LIMITED	5,798,879	0.79%
16	MRS ELEANOR JEAN REEVES <ELANWI A/C>	5,640,000	0.77%
17	MR FALDI ISMAIL & MRS ROUMELIA ROZANNA ISMAIL <THE ISMAIL SUPER FUND A/C>	5,500,000	0.75%
18	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	5,118,215	0.70%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	5,000,000	0.68%
20	MR EMANUEL JOSE FERNANDES DIAS	5,000,000	0.68%
	TOTAL	**450,105,026**	**61.64%**

20 Largest Option Holders — Listed Options as at as at 19 September 2017

Rank	Name	Number of Listed Options Held	% Held of Listed Options Issued
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	6,835,566	7.81%
2	UBS NOMINEES PTY LTD	6,688,939	7.64%
3	BLURRED VISION INVESTMENTS PTY LTD <BLURRED VISION A/C>	4,000,000	4.57%
4	P R PERRY NOMINEES PTY LTD <DONESK FAMILY A/C>	3,100,000	3.54%
5	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	3,000,000	3.43%
6	BRANDON HILL CAPITAL LIMITED	2,225,000	2.54%
7	TITAN RECRUITMENT PTY LTD <TITAN RECRUITMENT A/C>	1,500,000	1.71%
8	MS ELIZABETH BLACKMAN & MR TONY BLACKMAN <BLACKMAN TECO SUPER FUND A/C>	1,500,000	1.71%
9	MR GARY PADMORE	1,337,500	1.53%
10	NATIONAL NOMINEES LIMITED	1,308,030	1.49%
11	CITICORP NOMINEES PTY LIMITED	1,250,000	1.43%
12	MR EMANUEL JOSE FERNANDES DIAS	1,250,000	1.43%
13	MR PHILLIP RICHARD PERRY & MRS TETYANA ANATOLIYIVNA PERRY <DONESKA SUPER FUND A/C>	1,111,111	1.27%
14	ICON HOLDINGS PTY LTD <THE K J PAGANIN FAMILY A/C>	1,111,111	1.27%
15	INSWINGER HOLDINGS PTY LTD <CMSS SUPER FUND A/C>	1,110,000	1.27%
16	MRS ELEANOR JEAN REEVES <ELANWI A/C>	1,110,000	1.27%
17	SCOPET SUPER FUND PTY LTD <SCOPET SUPER FUND A/C>	1,000,000	1.14%
18	MR NICHOLAS DERMOTT MCDONALD	1,000,000	1.14%
19	MR NICHOLAS DERMOTT MC DONALD <GOLD COAST A/C>	1,000,000	1.14%
20	MR JOHN CAMPBELL SMYTH & DR ANN HOGARTH <SMYTH SUPER FUND A/C>	806,237	0.92%
	TOTAL	**42,243,494**	**48.25%**

Substantial Ordinary Shareholders as at 19 September 2017

Name	Number of Ordinary Fully Paid Shares Held	% Held of Ordinary Issued Capital
KERAS RESOURCES PLC	217,125,000	29.73%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,760,869	6.27%
J P MORGAN NOMINEES AUSTRALIA LIMITED	38,904,793	5.33%

Substantial Listed Option Holders as at 19 September 2017

Name	Number of Listed Options Held	% Held of Listed Options Issued
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,835,566	7.81%
UBS NOMINEES PTY LTD	6,688,939	7.64%

Distribution of Ordinary Shareholders as at 19 September 2017

Holding Range	Holders	Total Units	% Issued Ordinary Capital
1 – 1,000	1,250	256,915	0.04%
1,001 – 5,000	390	950,863	0.13%
5,001 – 10,000	99	755,309	0.10%
10,001 – 100,000	404	17,968,145	2.46%
100,001 – and over	415	710,334,803	97.27%
	2,558	**730,266,035**	**100.00%**

Unmarketable Parcels – as at 19 September 2017 there were 1,757 holders with less than a marketable parcel of shares.

Distribution of Listed Option Holders as at 19 September 2017

Holding Range	Holders	Total Units	% of Listed Options
1 – 1,000	1	5	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	106	5,826,420	6.66%
100,001 – and over	177	81,673,575	93.34%
	284	**87,500,000**	**100.00%**

On-Market Buy-Back

There is no current on-market buy-back.

Restricted Securities

As at 19 September 2017 the following shares are subject to escrow:

- 315,000,000 Ordinary Fully Paid Shares escrowed for a period of 24 months from quotation
- 60,000 Ordinary Fully Paid Shares escrowed for a period of 12 months from quotation
- 12,500,000 Ordinary Fully Paid Shares escrowed until 18 August 2018
- 250,000,000 Class A Performance Shares escrowed for a period of 24 months from quotation
- 275,000,000 Class B Performance Shares escrowed for a period of 24 months from quotation

Unquoted Securities

As at 19 September 2017 the following unquoted securities are on issue:

525,000,000[1] Performance Shares escrowed – 1 Holder

Holders with more than 20%

Holder Name	Holding	%IC
KERAS RESOURCES PLC	525,000,000	73.17%

[1] Details on the performance conditions surrounding the Performance Shares are contained within Note 18c Issued Capital.

24,000,00 Options Expiring 9 June 2020 @ $0.03 escrowed for a period of 24 months from quotation – 4 Holders

Holders with more than 20%

Holder Name	Holding	%IC
ELEANOR JEAN REEVES <THE ELANWI A/C>	10,000,000	41.66%
MR ADAM MIETHKE	6,000,000	25.00%
INSWINGER HOLDINGS PTY LTD <CMSS SUPER FUND A/C>	5,000,000	20.83%

31,000,00 Options Expiring 9 June 2020 @ $0.02 escrowed for a period of 12 months from quotation – 27 Holders

There are no holders with more than 20%

50,000,00 Options Expiring 18 April 2021 @ $0.02 escrowed for a period of 24 months from quotation – 11 Holders

Holders with more than 20%

Holder Name	Holding	%IC
MEDEK INVESTMENTS PTY LTD <MEDEK SUPER FUND A/C>	10,000,000	20.00%
BUZZ CAPITAL PTY LTD < ZI VESTMENT A/C >	10,000,000	20.00%
SUNSET TIDAL PTY LTD	10,000,000	20.00%
ROMFAL SIFAT PTY LTD<THE FIZMAIL FAMILY A/C>	10,000,000	20.00%

ASX Listing Rule 4.10.19

The Company has used its cash and net assets in a form readily convertible to cash in hand at the time of reinstatement of the Company's securities to quotation in a way consistent with its business objectives.

CALIDUS
RESOURCES LIMITED