



ABN 59 009 815 605

ESPERANCE MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

DIRECTORS

Robert Lees (Non-Executive Chairman)
Silvi ElKhouri (Non-Executive Director)
John Rawicki (Non-Executive Director)
Sophia Zhang (Executive Director)

COMPANY SECRETARY

Robert Lees

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AUDITORS

RSM Bird Cameron

BANKERS

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CONTENTS

	Page Number
Chairman's Letter to Shareholders	3
Review of Operations	4 - 5
Corporate Governance Statement	6 - 13
Directors' Report	14 – 21
Auditor's Independence Declaration	22
Consolidated Statement of Profit or Loss and Other Comprehensive Income	23
Consolidated Statement of Financial Position	24
Consolidated Statement of Changes in Equity	25
Consolidated Statement of Cash Flows	26
Notes to the Financial Statements	27 - 41
Directors' Declaration	42
Independent Auditor's Report	43 - 44
Additional Australian Securities Exchange Information	45 - 46

CHAIRMAN'S LETTER

Dear Shareholder

During the year under review the Board has also continued to review and evaluate potential exploration/mining opportunities as well as looking at other non-mining projects. However, market conditions have not exhibited an appetite for funding of exploration project or exploration companies. No exploration project to date has been assessed as suitably viable for the Company over the long term. As at the date of this report, the tight and volatile market conditions remain in place and such conditions are expected to remain in place in the foreseeable future.

The Kununurra Project has been allowed to lapse. The Board have formed the view that the exploration results did not justify the minimum expenditure required to maintain and progress the project. The Board has reached an agreement allowing it to unwind its joint venture arrangements in relation to the Kununurra Project for no additional cost.

In May 2015 the company was able to successfully raise \$400,000 of additional equity at \$0.02 per share and an additional \$540,000 from a Series C Convertible note offering (the Note terms are subject to future shareholder approval).

On 21 August 2015 the Company announced it had entered into a share purchase agreement to acquire 51% of the issued capital of eDutyFree Pty Ltd ('eDutyFree'). eDutyFree is an expanding global e-commerce platform and distributor of popular Australian health, beauty and baby care products into the global marketplace.

Consideration is payable in 2 stages and consists of 9,200,000 ESM shares valued at \$0.05 with 9,200,000 attaching options (exercisable at 10 cents and expiring 18 months after issue).

The agreement is subject to a number of conditions precedent, including:

- the completion of due diligence;
- the members of ESM having given all necessary approvals required by the Agreement as required under the Corporations Act 2001 and the ASX Listing Rules;
- the members of ESM having approved the issue and allotment of the Completion Securities under the terms of the Agreement in accordance with ASX Listing Rules 7.1, 11.1.2 and 11.1.3;
- ESM re-complying with the requirements of Chapters 1 and 2 of the ASX Listing Rules;
- ESM providing eDutyFree with a debt facility in the amount of AUD1,040,000 on completion; and
- there being no material adverse change in the financial condition or position of eDutyFree.

Your Directors remain committed to creating shareholders' value and continue to review a number of new projects for your company.

I look forward to meeting with you all at the annual general meeting.



Robert Lees
Chairman

Dated at Sydney this 30th day of September 2015.

REVIEW OF OPERATIONS AND TENEMENTS

KUNUNURRA PROJECT

The Kununurra Project E80/3367 has been allowed to lapse. The Board have formed the view that the exploration results did not justify the minimum expenditure required to maintain and progress the project. The Board has reached an agreement allowing it to unwind its joint venture arrangements in relation to the Kununurra Project for no additional cost.

The Kununurra base metal project is located 5Km west of Kununurra and is prospective for iron, gold, silver, lead, copper and zinc. Kununurra comprises one granted exploration licence E80/3367 which was initially granted for a period of 5 years to 31 March 2013 and renewed for 2 years to 31 March 2015.

CORPORATE ACTIVITIES

The Company announced the raising of \$400,000 by the issue of 20,000,000 shares at \$0.02 per share in May 2015. In June 2015 \$100,000 Series A and \$100,000 Series B Convertible Notes were converted at \$0.02 resulting in the issue of 10,000,000 shares and 10,000,000 Options expiring 31 August 2018 with an exercise price of \$0.10.

During the year the Company issued and had on issue the following convertible notes:

- Series A – The terms of these notes were approved in April 2014 and they were fully drawn at \$330,000 on 30 June 2014.
- Series B – The terms of these notes were approved in April 2014 and they can be drawn down to a maximum of \$570,000. During the year ended 30 June 2015 \$145,000 was drawn down and at balance date \$100,000 remained undrawn; and
- Series C – \$540,000 have been raised in May 2015 by the issue of a new series of convertible notes. These are to provide ongoing working capital. Terms of the Series C notes are subject to shareholders (at a future shareholder meeting) are detailed below.

Both Series A and Series B notes involve various shareholders, including a company that is associated with Mr Kris Knauer. The shareholders not associated with the Notes approved the terms of conversion on the 30th April 2014.

The key terms of the Series A and B Notes are as follows:

- conversion price of the lesser of 5 cents per ordinary share, or the 5 day volume weighted average price ("VWAP") of the Company's ordinary shares on the ASX immediately prior to the issue of a conversion notice by the Noteholder to the Company;
- the Notes could not be converted until after 31 August 2014 and then at any time up to the Maturity Date of 31 August 2015 (Note holders have agreed to extend the Maturity Date for one year to 31 August 2016);
- for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per Company share (**Options**);
- the Notes will accrue interest at a rate of 8% per annum; and
- the Notes are unsecured.

The key terms of the Series C Notes are as follows:

- each Note has a face value of \$10,000 and are unsecured.
- Conversion price is 2 cents per ordinary share
- for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per share
- the Notes will accrue interest at a rate of 8% per annum.
- the Notes will mandatorily convert into new shares upon the earlier of the conversion of the Notes being approved by shareholders or the Company having sufficient capacity to convert the Notes under Listing Rule 7.1 or 7.1A

REVIEW OF OPERATIONS AND TENEMENTS

The funds raised from the Series C note have been used to provide working capital and the evaluation of potential new projects for the company.

CORPORATE GOVERNANCE STATEMENT

The Esperance Minerals Limited group ("Esperance"), through its Board and executives, recognises the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with Esperance. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

This statement outlines the main corporate governance practices of Esperance during the financial year against those requirements, which are captured now under the heading Corporate Governance Principles and Recommendations 3rd Edition, published in March 2014 by the ASX Corporate Governance Council. The third edition of the *Principles and Recommendations* take effect on or after 1 July 2014. This report is based on the new 3rd edition.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Corporate Governance Principles and Recommendations on how to achieve best practice for each principle are set out in a different format to that used previously, with a comment for each recommendation identifying whether Esperance's approach conformed to the principles. It should be noted that Esperance is currently a small cap listed company and that where its processes do not fit the model of the 8 principles, the Board believes that there are good reasons for the different approach being adopted.

Reporting against the 8 Principles, we advise as follows:

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

The primary responsibilities of Esperance's board include:

- the establishment of long term goals of the company and strategic plans to achieve those goals;
- the review and adoption of the annual business plan for the financial performance of the company and monitoring the results on a monthly basis;
- the appointment of the Managing Director;
- ensuring that the company has implemented adequate systems of internal control together with appropriate monitoring of compliance activities; and
- the approval of the annual and half-yearly statutory accounts and reports.

The board meets on a regular basis, during the year, to review the performance of the company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled monthly board meetings, each board member is provided with a formal board package containing appropriate management and financial reports.

The responsibilities of senior management including the Managing Director are contained in letters of appointment and job descriptions given to each appointee on appointment and updated at least annually or as required.

The primary responsibilities of senior management are:

- (i) achieve Esperance's objectives as established by the Board from time to time;
- (ii) operate the business within the cost budget set by the Board;
- (iii) ensure that Esperance's appointees work with an appropriate Code of Conduct and Ethics; and

CORPORATE GOVERNANCE STATEMENT

- (iv) ensure that Esperance appointees are supported, developed and rewarded to the appropriate professional standards

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 in its possession relevant to a decision on whether or not to elect or re-elect a director.*

Currently the company does not employ senior executives. The performance of the Executive Chairman and any Executive Director's is reviewed on an annual basis, by the board.

1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

A performance evaluation for each senior executive has taken place in the reporting period in line with the process disclosed.

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.

The Company Secretary is accountable to the Board and performs all the tasks related to corporate governance. All the directors are able to communicate directly with the Company Secretary.

1.5 A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) disclose that policy or a summary of it; and*
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*
 - (1) 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*
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.¹⁶*

The Company is committed to diversity and recognises the benefits arising from employee and board diversity. A copy of the Company's diversity policy is available at the Company's website at www.esperanceminerals.com

The Company will annually monitor the progress and effectiveness of objectives developed in the policy. Given the size and nature of the Company's workforce the Company has chosen not to implement measurable objectives on which the Company will report.

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*

CORPORATE GOVERNANCE STATEMENT

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board undertakes a self-evaluation covering the directors, the chairman and the committees once a year. The recommendations for improvement are discussed and implemented by the Board.

This performance evaluation was undertaken in the current year.

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.

The Company procedures call for a performance evaluation of all senior management once a year and develops an annual plan for the following year as part of the process. As the Company had no senior management this year no performance evaluation was undertaken.

The Esperance Corporate Governance Charter is available on the Esperance web site, and includes sections that provide a board charter. The Esperance board reviews its charter when it considers changes are required.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Esperance operates in a market where it finds that it must regularly seek investor support to raise additional capital. As a consequence, Board members themselves often have a significant interest in the Company. During the major portion of the reporting period, the Esperance Board consisted of two non-executive directors, and one Executive Director/ Chairman. Both of the non-executive Directors consider themselves as independent.

2.1 The board of a listed entity should:

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) 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, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company does not has a formally constituted Nomination and Remuneration Committee due to the overall size of the Board.

The charter of the committee is available from the Company's web site at www.esperanceminerals.com and it has responsibility for nominating new directors to the Board.

2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Skills matrix developed and current directors assessed themselves against the matrix. A summary of this information has been included in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

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 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*
- (b) *the length of service of each director.*

The Company presently has four directors, one of whom is considered independent. The Board believes that it has the right numbers and skills within its board members for the current size of the Company.

2.4 A majority of the board of a listed entity should be independent directors.

The Company presently has four directors, one of whom is considered independent. The Board believes that it has the right numbers and skills within its board members for the current size of the Company.

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.

The Kris Knauer was Executive Chairman for the year under review. Given his knowledge and experience the Board felt that having Kris Knauer as Chairman and CEO was the most appropriate option for the Company given its size and operations.

The Esperance board had three members until May 2015, with the resignation of Jacob Khouri two new members were appointed. The Board members are in regular contact with each other as they deal with matters relating to Esperance's business. The board uses a personal evaluation process to review the performance of directors, and at appropriate times the Chairman takes the opportunity to discuss Board performance with individual directors and to give them his own personal assessment. The Chairman also welcomes advice from Directors relating to his own personal performance. The Remuneration & Nomination Committee determines whether any external advice or training is required. The Board believes that this approach is most appropriate for a company of the size and market cap of Esperance.

2.4 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as director's effectively

The Company does not provide an induction for all new directors. Relevant courses offered by the Australian Institute of Company Directors are brought to the attention of the Board throughout the year to assist them to maintain their skills.

PRINCIPLE 3: ACT ETHICAL AND RESPONSIBLY

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.*

Esperance's policies contain a formal code of conduct that applies to all directors and employees, who are expected to maintain a high standard of conduct and work performance, and observe standards of equity and fairness in dealing with others. The detailed policies and procedures encapsulate the company's ethical standards. The Company is committed to being a socially responsible corporate citizen, using honest and fair business practices to achieve the best outcomes for shareholders.

A copy of the code is available from the Company's web site – www.esperanceminerals.com.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 The board of a listed entity should:

(a) have an audit committee which:

- (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
- (2) is chaired by an independent director, who is not the chair of the board, and disclose:
- (3) the charter of the committee;
- (4) the relevant qualifications and experience of the members of the committee; and
- (5) 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 corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. The company has an Audit, Corporate Governance and Risk Management Committee.

The Audit Corporate Governance and Risk Management committee consists of Jacob Khouri and Vincent Fayad. All of these Directors are independent non-executive directors. Vincent Fayad is the Chairman of the committee. Mr Fayad who is a Chartered Accountant with over 30 years of accounting and finance experience is considered to be an appropriate chairman of the audit committee.

The Audit, Corporate Governance and Risk Management Committee met 2 times during the course of the year.

The Audit, Corporate Governance and Risk Management Committee provide a forum for the effective communication between the board and external auditors. The Committee reviews:

- the annual and half-year financial reports and accounts prior to their approval by the board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of the external audit functions.

The committee meets with and receives regular reports from the external auditors concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

In conjunction with the auditors the Audit, Corporate Governance and Risk Management Committee monitors the term of the external audit engagement partner and ensures that the regulatory limit for such term is not exceeded. At the completion of the term, or earlier in some circumstances, the auditor nominates a replacement engagement partner. The Committee interviews the nominee to assess relevant prior experience, potential conflicts of interest and general suitability for the role. If the nominee is deemed suitable, the committee reports to the Board on its recommendation.

The Charter of the Committee is available from the Company's web site – www.esperanceminerals.com.

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, in their opinion, 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

Before they approve the annual financial statements, the Board receives a declaration each year from the CEO and CFO that, in their opinion, the financial records of the Company have been properly maintained and the financial statements of the Company comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

CORPORATE GOVERNANCE STATEMENT

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.

The Company's auditor attends each AGM and is available to answer questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

5.1 A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) (b) disclose that policy or a summary of it*

The Esperance board and senior management are conscious of the ASX Listing Rule Continuous Disclosure requirements, which are supported by the law, and take steps to ensure compliance. The company has a policy, which can be summarised as follows:

- the Board, with appropriate advice, to determine whether an announcement is required under the Continuous Disclosure principles;
- all announcements be monitored by the Company Secretary; and
- all media comment to be handled by the Chairman.

At each meeting of the Board, consideration is given as to whether any item covered during the meeting impacts on its continuous disclosure requirements.

PRINCIPLE 6 RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 A listed entity should provide information about itself and its governance to investors via its website.

Esperance provides information to its shareholders through the formal communications processes (e.g. ASX releases, general meetings, annual report, and occasional shareholder letters). This material is also available on the Esperance website (www.esperanceminerals.com). The Company's web site provides all the relevant information on the Company and its operations that an investor would require. It includes all the policies adopted by the Company as well as copies of all the ASX market releases and the financial reports.

6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Investors can communicate with the Company through the web site, email or by calling the phone numbers listed on the Company's web site.

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.

All shareholders receive the Notice of Meeting and Explanatory Statement for the Company's Annual General Meeting. They are able to send in questions they would like addressed at the Meeting and also by attending the meeting will have the ability to talk to any of the resolutions and have their questions answered.

They will also have the opportunity to ask questions of management once the formal part of the meeting has been completed.

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.

Shareholders can send communications to the Company via email and all emails will be responded to.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 *The board of a listed entity should:*

- (a) have a committee or committees to oversee risk, each of which:*
 - (1) has at least three members, a majority of whom are independent directors; and*
 - (2) is chaired by an independent director, and disclose:*
 - (3) the charter of the committee;*
 - (4) the members of the committee; and*
 - (5) 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 processes it employs for overseeing the entity's risk management framework. The Company has established policies for the oversight and management of material business risks.*

The Board is responsible for the oversight and management of all material business risks. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings. The Board monitors the risks and internal controls of Esperance through the Audit and Corporate Governance activities.

As part of the process, Esperance's management formally identifies and assesses the risks to the business, and these assessments are noted by the Audit Committee and the Board.

7.2 *The board or a committee of the board should:*

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) disclose, in relation to each reporting period, whether such a review has taken place.*

Management is accountable to the CEO and through him to the Board, to ensure that operating efficiency, effectiveness of the risk management procedures, internal compliance control systems and policies and that they are all being monitored. Management have designed and implemented a risk management and internal control system to manage the Company's material business risks and reports to the Board annually on the effective management of those risks.

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.*

Due to the size of the Company there is no internal audit function. The Board receives an annual report from Management reviewing the risk management procedures of the Company and is able to provide commentary on the report as well as identify any new risks that have emerged and not previously been recorded by the system.

7.4 *A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The annual report from management covering risk management identifies these risks and how they are being managed and is subject to critical review by the Board.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 *The board of a listed entity should:*

- (a) have a remuneration committee which:*
 - (1) has at least three members, a majority of whom are independent directors; and*
 - (2) is chaired by an independent director, and disclose:*

- (3) the charter of the committee;*
- (4) the members of the committee; and*
- (5) 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.*

Esperance has established a Remuneration and Nomination committee. Vincent Fayad (independent non-executive director) is the Chairman of that Committee and Jacob Khouri (independent non-executive directors') is the other member of that Committee.

- 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.*

The remuneration details of non-executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report. There are no schemes for retirement benefits, other than statutory superannuation for non-executive directors.

- 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.*

The remuneration details of non-executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report.

For a small company like Esperance (as measured by its market capitalisation) it is not appropriate to carry a statement on prohibiting transactions in associated products.

A copy of the Remuneration and Nomination committee charter is publicly available on the Esperance web site.

DIRECTORS' REPORT

The Directors of the consolidated entity (referred to hereinafter as the **(Group or consolidated entity)** consisting of Esperance Minerals Limited (**Esperance or the Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2015 hereby submit the Directors' Report as part of the annual financial report. The Chairman's letter to Shareholders, the Corporate Governance Statement and the Review of Operations and Tenements all form part of the Directors' Report.

DIRECTORS

The Directors of the Group at any time during or since the end of the financial year are:

KRIS KNAUER

Executive Chairman

Mr Knauer was appointed to the Esperance Board on 25 September 2009 and was appointed Executive Chairman on 31 January 2010 and resigned on 13 August 2015.

Mr Knauer has a B.Sc. (Hons) in Geology and spent 5 years working in the Mining Industry as a geologist. He has worked in the Finance Industry for the past 12 years; initially as a Mining Analyst and more recently in Corporate Advisory. He is currently Executive Director of Equities at Novus Capital Limited and his key focus area is on smaller listed companies. He was a Director of Citadel Resource Group Limited (ASX: CGG) and was instrumental in the acquisition and financing of Citadels Saudi Arabian Mining Projects. Kris has a wealth of experience in project acquisition and evaluation, particularly in the Resource Sector.

Mr Knauer is currently executive director of Medibio Limited (ASX: MEB). And formerly a director of Astro Resources NL (ASX ARO and Greenvale Mining NL (ASX: GRV).

JACOB KHOURI

Non-Executive Director

Mr Khouri was appointed to the Esperance Board on 17 February 2012 and resigned 7 May 2015.

Mr Khouri founded and operates a successful mechanical engineering business, and has a solid understanding of new market trends and sustainability issues.

Mr Khouri has a broad range of corporate experience, and has been involved with a number of ASX listed companies, including serving as a director of Mooter Media Limited (ASX: MMZ).

VINCENT FAYAD

Non-Executive Director

Mr Fayad was appointed to the Esperance Board on 20 February 2013 and resigned 12 August 2015.

Mr Fayad is currently a Director of PKF Corporate Finance Pty Ltd and has over 30 years of experience in Corporate Finance, accounting and other advisory related services. Over the last 10 years, Vince has spent a significant amount of time advising on various transactions that are related to the mining industry. He is also a member of the Institute Chartered of Accountants and is a registered tax agent and company auditor.

Mr Fayad is currently a non-executive director of Ashley Services Group Limited (ASX: ASH). Formally non-executive Chairman of Medibio Limited (ASX: MEB).

JOHN RAWICKI

Non-Executive Director

Mr Rawicki was appointed to the Esperance Board on 7 May 2015.

Mr. Rawicki holds a Bachelor of Commerce from the University of Sydney and has had 10 years' experience in stockbroking and corporate finance across the healthcare, resources and technology sectors. Mr Rawicki is the Managing Director of BlueSky Shareholder Services, which provides investor relations and corporate advisory services to listed companies.

SOPHIA ZHANG

Ms. Zhang was appointed to the Esperance Board on 7 May 2015.

DIRECTORS' REPORT

Executive Director

Ms. Zhang holds a Bachelor of Arts degree from Shen Zhen University of PRC. Ms Zhang has a broad range of corporate experience, including 20 years of international sales and marketing experience in healthcare. Ms. Zhang currently runs a successful import/export business that markets and distributes Australian healthcare products, in particular Nature's Care and Toplife brands in China.

ROBERT LEES

Non-Executive Director & Chairman

Mr Lees was appointed to the Esperance Board on 12 August 2015.

Mr Lees is member of Chartered Accountants Australia and New Zealand and the Governance Institute of Australia. He is a graduate of the UTS, holding a Bachelor of Business (Accounting) and a Graduate Diploma in Data Processing. In the last 14 years he has provided Company Secretarial services to small ASX listed companies. He is currently Company Secretary of four Listed Public Companies.

SILVI ELKHOURI

Non-Executive Director

Ms ElKhouri was appointed to the Esperance Board on 14 August 2015.

Ms. ElKhouri has a Master of Business Administration and a Bachelor of Science.

She has had extensive international business and finance experience and is currently involved in international business, international financial markets, and executive administration for a wide range of companies. She has been involved strategically and instrumentally, in assisting in several merger and acquisitions both in listed and unlisted companies. She has also assisted in the acquisitions of strategic business and intellectual properties on behalf of public listed companies on listed bourses, including the ASX and the UK AIM Market. She served on the Board of ASX Listed Bioprospect Limited from 15 November 2013 to 2 Sept 2014.

COMPANY SECRETARY

Mr Robert Lees, an external consultant, was appointed Company Secretary & Chief Financial Officer on 7 January 2010. Refer to Directors details above for qualifications and experience.

DIRECTORS' MEETINGS

During the financial year, 3 meetings of directors were held. Attendance by each director was as follows:

Director	Board Meetings		Audit Committee		Remuneration Committee	
	Meetings attended	Meetings held whilst in office	Meetings held	Meetings held whilst in office	Meetings attended	Meetings held whilst in office
Mr Knauer	3	3	-	-	-	-
Mr Fayad	3	3	2	2	-	-
Mr Khouri	3	3	2	2	-	-
Mr Rawicki	-	-	-	-	-	-
Ms Zhang	-	-	-	-	-	-

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each key management person of Esperance Minerals Limited. The *Corporations Act* requires that this report be shown in the Directors' Report and that it be audited. Key management personnel have authority and responsibility for planning, directing, and controlling the activities of the Group. Key management personnel comprise the Directors of the Group. The Group does not have any other specified executives.

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Remuneration Committee obtains independent advice on the appropriateness of compensation packages of the Group given trends in comparable companies both locally and internationally.

OFFICERS' REMUNERATION (AUDITED)

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- total compensation for all Directors including Directors' fees, amounted to \$127,226 (2014: \$127,226);
- the maximum approved total Directors fees is \$250,000, which was last voted upon at the 2008 AGM;
- Non-Executive Directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of committees; and
- termination benefits have been determined on a case-by-case basis and are not contractually defined.

On 7 January 2010, Coysec Services Pty Limited, a company associated with Mr Robert Lees entered into an agreement with the Company to provide company secretarial and Chief Financial Officer services on an hourly charge basis with the period of the agreement at the Directors' discretion.

The following table provides details of all the Directors and executives of the Group and the nature and amount of the elements of their remuneration for the year ended 30 June 2015.

	Short-term Employee Benefits				Post-employment Benefits	Other Long-term Benefits	Termination Benefits	Share Based Payment	Total
2015	Cash, salary, Directors Fees	Cash profit share, bonuses	Non-cash benefits	Allowance	Super-annuation				
Mr Knauer	36,000	-	-	-	-	-	-	-	36,000
Mr Fayad	30,000	-	-	-	-	-	-	-	30,000
Mr Khouri	33,000	-	-	-	3,135	-	-	-	36,135
Mr Rawicki	6,000	-	-	-	-	-	-	-	6,000
Ms Zhang	6,000	-	-	-	-	-	-	-	6,000
	111,000	-	-	-	3,135	-	-	-	114,135

* Mr Khouri resigned on 7 May 2015

** Mr Rawicki and Ms Zhang were appointed 7 May 2015

DIRECTORS' REPORT

OFFICERS' REMUNERATION (CONT'D) (AUDITED)

	Short-term Employee Benefits				Post-employment Benefits	Other Long-term Benefits	Termination Benefits	Share Based Payment	Total
2014	Cash, salary, Directors Fees	Cash profit share, bonuses	Non-cash benefits	Allowance	Super-annuation				
Mr Lorentz*	15,896	-	-	-	-	-	-	-	15,896
Mr Knauer	36,000	-	-	-	-	-	-	-	36,000
Mr Fayad	39,000	-	-	-	-	-	-	-	39,000
Mr Khouri	36,000	-	-	-	3,330	-	-	-	39,330
	123,896	-	-	-	3,330	-	-	-	130,226

* Mr Lorentz retired at the Annual General Meeting on 29 November 2013

The remuneration policy of the Group has been designed to remunerate the Directors based upon their skills and contributions to the Group. No performance based remuneration has been granted. No options over share capital have been granted to key management personnel.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2015.

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
	\$	\$	\$	\$	\$
Revenue	1,056	2,079	33,571	39,705	44
Loss before tax	(1,398,231)	(562,541)	(1,715,692)	960,932	(417,798)
Loss after tax	(1,398,231)	(562,541)	(1,715,692)	960,932	(417,798)
	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Share price start of year	2 cents	2.9 cents	3 cents	6 cents	5 cents
Share price end of year	3.3 cents	2 cents	2.9 cents	3 cents	6 cents
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic (loss) / profit per share (cents)	(1.60)	(0.67)	(2.04)	1.14	(0.59)
Diluted (loss) / profit per share (cents)	(1.44)	(0.67)	(2.04)	1.14	(0.59)

PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the year was mineral exploration primarily in the Kimberly Region Western Australia. This tenement lease expired in March 2015 and was not renewed. The Company also reviewed other potential acquisitions, but did not proceed. Further details of these activities can be found in the Review of Operations and Tenements section.

DIRECTORS' REPORT

RESULT AND REVIEW OF OPERATIONS

The consolidated loss after income tax for the year was \$1,398,231 (2014: \$562,541).

During the year the Group discontinued its mineral exploration activities in the Kimberley Region Western Australia and allowed the tenement to lapse.

Key aspects of the consolidated financial result were as follows:

- capitalised exploration costs of \$804,750 relating to the lapsed Kimberley tenements were written off;
- New Equity of \$400,000 was raised by the issue of 20,000,000 shares at \$0.02 per share and a further \$200,000 of equity was issued on conversion of \$100,000 Series A and \$100,000 Series B Convertible Notes. These notes were converted at \$0.02 resulting in the issue of a further 10,000,000 shares and 10,000,000 options expiring 31 August 2018 with an exercise price of \$0.10 per share.
- A further \$540,000 was raised to be issued as Series C convertible notes. The terms of Series C convertible notes are subject to shareholders approval at future shareholder meeting.

The key terms of the Converting Notes are as follows:

- each Note has a face value of \$10,000.
- Conversion price is 2 cents per ordinary share
- for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per share
- the Notes will accrue interest at a rate of 8% per annum.
- the Notes will mandatorily convert into new shares upon the earlier of the conversion of the Notes being approved by shareholders or the Company having sufficient capacity to convert the Notes under Listing Rule 7.1 or 7.1A
- the Notes are unsecured.

The Company has been investigating new business opportunities and on 21 August 2015 announced that it had entered into a Share purchase agreement to acquire 51% of eDutyFree Pty Ltd subject to certain conditions precedent.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company has been investigating new business opportunities and on 21 August 2015 announced that it had entered into a Share purchase agreement to acquire 51% of eDutyFree Pty Ltd – an eCommerce platform and distributor of Australian health, beauty and baby care products. This transaction is subject to due diligence. Material terms are:

- ESM will, subject to certain conditions precedent, acquire 51% of the entire issued capital of eDutyFree from the majority shareholder of eDutyFree (Vendor); and
- in consideration, ESM will:
 - issue 1,000,000 ESM shares at 5c each along with 1,000,000 attaching options with 10c exercise price and 18 months expiry, to the Vendor on the date of signing the Agreement ('Initial Securities'). The Initial Securities will be escrowed for a period determined by the ASX; and
 - issue 8,200,000 ESM shares at 5c each along with 8,200,000 attaching options with a 10c exercise price and 18 months expiry, to the Vendor on completion of the acquisition ('Completion Securities'). The Completion Securities will be escrowed for a period determined by the ASX.

This is subject to the completion of due diligence in respect of eDutyFree and the Vendor to the reasonable satisfaction of ESM and the members of ESM having given all necessary approvals to the transactions contemplated by the Agreement as required under the Corporations Act 2001 (Cth) and the ASX Listing Rules

DIRECTORS' REPORT

and in particular ASX Listing Rules 7.1, 11.1.2 and 11.1.3 as well as re-complying with the requirements of Chapters 1 & 2.

In the opinion of the Directors, other than the transaction described above, there were no significant changes in the state of affairs of the Company since the end of financial year under review.

ENVIRONMENTAL REGULATIONS

The Group's interest in its tenements in Western Australia are subject to the Environmental laws of those States. The Group is committed to the protection of the environment and to compliance with all applicable environmental laws. Requirements exist relating to waste disposal, water and air pollution and site rehabilitation. The Directors are not aware of any breaches of any environmental regulations during the period covered by this report.

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year to the date of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

On 21 August 2015, the Company announced that it had subject to certain conditions precedent, entered into a transaction to acquire 51% of the issued capital of eDutyFree Pty Ltd ('eDutyFree') from the majority shareholder.

As consideration, ESM will:

- issue 1,000,000 ESM shares at 5c each along with 1,000,000 attaching options with 10c exercise price and 18 months expiry, to the Vendor on the date of signing the Agreement ('Initial Securities'). The Initial Securities will be escrowed for a period determined by the ASX; and
- issue 8,200,000 ESM shares at 5c each along with 8,200,000 attaching options with a 10c exercise price and 18 months expiry, to the Vendor on completion of the acquisition ('Completion Securities'). The Completion Securities will be escrowed for a period determined by the ASX. ESM will also provide eDutyFree with a debt facility in the amount of \$1,040,000 on completion.

This is subject to the completion of due diligence in respect of eDutyFree and the Vendor to the reasonable satisfaction of ESM and the members of ESM having given all necessary approvals to the transactions contemplated by the Agreement as required under the Corporations Act 2001 (Cth) and the ASX Listing Rules and in particular ASX Listing Rules 7.1, 11.1.2 and 11.1.3 as well as re-complying with the requirements of Chapters 1 & 2.

Other than the above, there have been no events subsequent to year end which would have a material effect on the Group's financial statements at 30 June 2015.

LIKELY FUTURE DEVELOPMENTS

Despite the adverse impacts from tight equity markets relating to exploration, the Company remains focused on re-vitalising itself by diversifying its exploration activities into prospective mineral tenements that may provide better and earlier benefits for shareholders.

DIRECTORS' INTERESTS

DIRECTORS' REPORT

The relevant interest of each director in the shares of the Company as notified by the Directors to the Australian Securities Exchange in accordance with s.205G(1) of the *Corporations Act* at the date of this report is as follows:

	ORDINARY SHARES FULLY PAID
Mr Knauer ¹	11,048,044
Mr Fayad	nil
Mr Rawicki	nil
Ms Zhang ²	15,000,000
Mr Lees ³	500,000
Ms ElKhouri	nil

¹ Relevant interests held in shares registered in the name of Moneybung Pty Limited aft <Moneybung Family Trust> of which Kris is a beneficiary, and Pitt Street Absolute Return Pty Ltd of which Mr Knauer is a Director and beneficiary.

² Relevant interests held in shares registered in the name of SJL Management Pty Limited aft <Zhang Family Trust> of which Ms Zhang is a beneficiary.

³ Relevant interests held in shares registered in the name of CoySec Services Pty Limited of which Mr Lees is a Director and beneficiary.

No Director has a margin loan on any of the above shares.

OPTIONS

There are 10,000,000 options (expiring 31 August 2018 and exercisable at 10 cents) over the Company's shares issued or outstanding at 30 June 2015 as the result of conversion of \$200,000 of Series A and Series B convertible notes.

Options that were held by shareholders as a consequence of capital raising initiatives in August and October 2010 expired 31 December 2014. (Refer to note 9(b)(ii)).

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During or since the end of the financial year, the company has not, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred such as an officer or auditor.

NON-AUDIT SERVICES

During the year there were no non-audit services provided by RSM Bird Cameron.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 23 and forms part of the directors' report for the financial year ended 30 June 2015.

DIRECTORS' REPORT

Signed in accordance with a resolution of the Board

A handwritten signature in dark ink, appearing to read 'Robert Lees', with a stylized, cursive script.

Robert Lees
Non-executive Chairman

Dated at Sydney this 30th day of September 2015.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Esperance Minerals Pty Ltd. for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM BIRD CAMERON PARTNERS



C J Hume
Partner

Sydney, NSW
Dated: 30 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
Financial income	2	1,056	2,079
OTHER INCOME			
Administration expenses		(14,909)	(47,504)
Compliance and regulatory expenses		(63,397)	(69,581)
Professional fees		(199,306)	(133,474)
Directors fees and benefits		(114,135)	(130,225)
Finance costs		(205,288)	(129,445)
Exploration expenditure		(2,498)	(54,391)
Exploration costs written off	7	(804,750)	-
LOSS BEFORE INCOME TAX		(1,398,231)	(562,541)
Income tax	3	-	-
LOSS FOR THE YEAR		(1,398,231)	(562,541)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,398,231)	(562,541)
Basic and diluted (loss) / earnings per share	5	(1.60) cents	(0.67) cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	13(b)	770,964	17,899
TOTAL CURRENT ASSETS		770,964	17,899
NON-CURRENT ASSETS			
Intangible assets – Exploration and evaluation expenditure	6	-	795,518
TOTAL NON-CURRENT ASSETS		-	795,518
TOTAL ASSETS		770,964	813,417
CURRENT LIABILITIES			
Trade and other payables	7	266,879	146,814
Borrowings	8	1,148,266	607,800
TOTAL CURRENT LIABILITIES		1,415,145	754,614
TOTAL LIABILITIES		1,415,145	754,614
NET ASSETS		(644,181)	58,803
EQUITY			
Issued capital	9	10,763,083	10,163,083
Reserves	19	250,522	155,275
Accumulated losses		(11,657,792)	(10,259,561)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(644,187)	58,797
Non-controlling interest		6	6
TOTAL EQUITY		(644,181)	58,803

The consolidated statement of financial position should be read in conjunction with the attached notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended 30 June 2015

	Note	Issued Capital \$	Reserve \$	Accumulated Losses \$	Non- controlling interest \$	Total Equity \$
BALANCE AT 1 JULY 2013		10,163,083	-	(9,697,020)	6	466,069
Net loss for the year		-	-	(562,541)	-	(562,541)
Total comprehensive loss for the year		-	-	(562,541)	-	(562,541)
Equity portion of convertible notes		-	155,275	-	-	155,275
BALANCE AT 30 JUNE 2014		10,163,083	155,275	(10,259,561)	6	58,803
BALANCE AT 30 JUNE 2014		10,163,083	155,275	(10,259,561)	6	58,803
Net loss for the year		-	-	(1,398,231)	-	(1,398,231)
Total comprehensive loss for the year		-	-	(1,398,231)	-	(1,398,231)
Issue of shares during this year	7	400,000				400,000
Conversion of convertible notes	7	200,000				200,000
Equity portion of convertible notes		-	95,247	-	-	95,247
BALANCE AT 30 JUNE 2015		10,763,083	250,522	(11,657,792)	6	(644,181)

The consolidated statement of changes in equity is to be read in conjunction with the attached notes to the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(332,991)	(495,335)
Interest received		<u>1,056</u>	<u>2,079</u>
NET CASH USED IN OPERATING ACTIVITIES	13(a)	<u>(331,935)</u>	<u>(493,256)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		<u>-</u>	<u>(29,050)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>-</u>	<u>(29,050)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES			
Issue of Shares		400,000	-
Proceeds from Borrowings		540,000	-
Issue of Convertible Notes		<u>145,000</u>	<u>325,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>1,085,000</u>	<u>325,000</u>
Net decrease in cash held		753,065	(197,306)
Cash at the beginning of the financial year		<u>17,899</u>	<u>215,185</u>
CASH AT THE END OF THE FINANCIAL YEAR	13(b)	<u><u>770,964</u></u>	<u><u>17,879</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Esperance Minerals Limited (**Esperance** or the **Company**) is a company domiciled in Australia. The financial statements of Esperance and its controlled entities (the **Group**) are for the year ended 30 June 2015.

The Company is a for-profit entity.

The financial statements were approved by the Board of Directors on 30 September 2015.

BASIS OF PREPARATION

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements comply with International Financial Reporting Standards ('IFRS'). Material accounting policies adopted in the preparation of those financial statements are presented below. They have been consistently applied unless otherwise stated. The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of certain non-current assets, financial assets, and financial liabilities. The financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

(A) GOING CONCERN

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

The Company's and Group's statement of profit or loss and other comprehensive income for the year ended 30 June 2015 reflected a net loss of \$1,398,231. The Group's statement of financial position as at 30 June 2015 reflected net current liabilities and a deficiency of net assets of \$644,187. The Group's consolidated statement of cash flows for the year ended 30 June 2015 reflected net cash used in operating activities of \$331,935.

The Directors believe that the company and group will be able to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report after consideration of the following factors:

On 30 September 2013, the Company announced that it had arranged a facility to borrow \$570,000 from certain shareholders of the Company through convertible loan agreements ("Loan Agreements"), the terms of which are set out in Note 9. On 30 April 2014 shareholders approved the ability of the convertible note holders to convert the notes into ordinary shares. At 30 June 2015 the company had drawn down \$470,000 pursuant to the Loan Agreements. The balance of \$100,000 remains undrawn (refer to Note 8 – Trade and other payables for the terms of loan agreements and Note 19 - Events Subsequent to Balance Date);

The group has cash on hand of \$770,964 as at 30 June 2015;

The Directors of Esperance Minerals Limited are confident that the Company will be able to raise funds under the Loan Agreements; and

The ability of the Company to continue to raise further capital to meet expenditure requirements.

However, should the Company be unsuccessful in the above, there is significant uncertainty as to whether the Company and the Group would be able to continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company and the Group be unable to continue as going concerns.

NOTES TO THE FINANCIAL STATEMENTS

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of the acquisition and up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenditure are eliminated in full on consolidation.

Non-controlling interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Profit and Loss and Other Comprehensive Income.

(C) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current tax liabilities/ (assets) are therefore measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense is charged or credited to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from 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 is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the 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.

(D) EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as an intangible exploration and evaluation asset. When a licence is relinquished or a project abandoned, the related costs are recognised in the profit or loss immediately.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units consistent with the determination of reportable segments.

Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets.

(D) EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

Amortisation is not charged on exploration and evaluation assets until they are available for use.

Pre-licence costs are recognised in profit or loss as incurred. Expenditure deemed unsuccessful is recognised in profit or loss immediately.

(E) FINANCIAL INSTRUMENTS

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract are discharged, cancelled or expire.

Classification and Subsequent Measurement

i) Loans and receivables

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

ii) Financial liabilities

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

(F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(G) SHARE CAPITAL

Ordinary shares are classified as equity. 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.

(H) REVENUE AND OTHER INCOME

Financial Income comprises interest income. Interest income is recognised in profit or loss as it accrues, using the effective interest rate method.

Other income is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(I) IMPAIRMENT

The carrying amount of non-financial assets other than exploration and evaluation assets are reviewed each reporting date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate.

The recoverable amount of other assets is the greater of their net selling price 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 assessment of the time value of money and the risks specific to the asset.

(J) GOODS AND SERVICES TAX (GST)

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

(K) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of any dilutive potential ordinary shares, which comprise convertible notes and share options.

(L) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

Recovery of Capitalised Exploration and Evaluation Expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related site itself, or if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to the environmental restoration obligations) and changes to commodity prices.

Deferred Tax Assets not brought to Account

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

(M) APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

Standards and Interpretations affecting the reported results or financial position

There are no new, revised or amending Standards and Interpretations adopted in these financial statements affecting the reported results or financial position.

(N) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none">AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

2. INCOME

	2015 \$	2014 \$
FINANCIAL INCOME		
Interest income – other sources	1,056	2,079

3. INCOME TAX

	2015 \$	2014 \$
(a) Loss before tax	(1,398,231)	(562,541)
Prima facie tax (credit) / expense on loss before income tax using corporate rate of 30% (2014: 30%)	(419,469)	(168,762)
Difference from income tax expense due to:		
Current year losses not brought to account	419,469	168,762
Income tax attributable to consolidated entity	-	-
(b) Balance of franking account at year end	-	-

4. DEFERRED TAX ASSETS AND LIABILITIES

	2015 \$	2014 \$
Deferred tax assets – not recognised		
Deferred tax assets arising from tax losses not recognised calculated at 30%:		
Tax losses - Revenue	2,840,471	2,421,002
Capital losses	554,292	554,292
	3,394,763	2,975,294

5. EARNINGS PER SHARE

The calculation of basic earnings and diluted earnings per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of \$1,327,555 (2014: \$562,541 2) and the weighted average number of ordinary shares outstanding during the financial year ended 30 June 2015 of 87,124,502 (2014: 84,039,679), calculated as follows:

	2015 Cents	2014 Cents
Basic and diluted (loss) / earnings per share	(1.60)	(0.67)
Weighted average number of ordinary shares:		
Fully paid ordinary shares used in calculation of basic and diluted (loss) / earnings per share	87,124,502	84,039,679

10,000,000 options were not included in earnings per share because they were anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE EXPLORATION AND EVALUATION EXPENDITURE

	2015 \$	2014 \$
Exploration and evaluation phase costs carried forward at cost:	-	795,518

Movements in Carrying Amounts

Carrying amount at beginning of year	795,518	766,489
Additions	9,232	29,029
Exploration costs written off (a)	(804,750)	-
Carrying amount at end of year	-	795,518

Exploration and Evaluation Phase Costs

Exploration expenditure written-off at 30 June 2015 represents the Group's interest in the Kununurra exploration tenement which lapsed on 31 March 2015.

7. TRADE AND OTHER PAYABLES

	2015 \$	2014 \$
Current		
Other creditors and accruals (i)	266,879	146,814
	266,879	146,814

- (i) The average credit period is 45 days (2014: 45 days). No interest is charged on overdue payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit terms.

NOTES TO THE FINANCIAL STATEMENTS

8. BORROWINGS

	2015 \$	2014 \$
Current		
Series A Convertible Notes	330,000	330,000
Series B Convertible Notes	470,000	325,000
<i>Movement in Equity component of Convertible Notes</i>	8,266	(47,200)
<i>Less: Converted to Equity</i>	(200,000)	-
Series C Convertible Notes (Subject to shareholder approval)	540,000	-
	1,148,266	607,800

During the 2014 year the Company issued the following convertible notes:

- Series A – being notes in connection with the payment of certain due diligence costs associated with the Brazilian project with a face value of \$330,000; and
- Series B – being notes in connection with the ongoing funding of the Company with a face value \$570,000.

Both notes (the combines notes referred to as “**Notes**”) involve various shareholders, including a company that is associated with the former Chairman, Mr Kris Knauer.

As at 30 June 2015, the Series B note has been drawn to \$470,000 and \$100,000 remains undrawn.

The key terms of the Notes are as follows:

- conversion price of the lesser of 5 cents per ordinary share, or the 5 day volume weighted average price (“**VWAP**”) of the Company’s ordinary shares on the ASX immediately prior to the issue of a conversion notice by the Noteholder to the Company;
- the Notes cannot be converted until after 31 August 2014 and then at any time up to the Maturity Date of 31 August 2015;
- for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per Company share (**Options**);
- the Notes will accrue interest at a rate of 8% per annum; and
- the Notes are unsecured.

The funds raised from the Series B note has been used for current working capital and the evaluation of potential new projects for the company.

The shareholders not associated with the Series A and B Notes approved the terms of their conversion on the 30 April 2014.

On 7 May 2015 the Company announced that it has raised \$540,000 to be subscribed for a Series C convertible notes. The term of the notes subject to shareholder approval in future shareholder meeting. Its’ terms will be:

- conversion price of the lessor of 2 cents per ordinary share, or the 5 day volume weighted average price (“**VWAP**”) of the Company’s ordinary shares on the ASX immediately prior to the issue of a conversion notice by the Noteholder to the Company;
- for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per Company share (**Options**);
- the Notes will accrue interest at a rate of 8% per annum;
- the Notes are unsecured; and
- the issue of the Series C Convertible Notes requires Shareholder approval which will be sought the upcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

9. ISSUED CAPITAL

	2015		2014	
	\$		\$	
114,039,679 (2014: 84,039,679) Fully paid ordinary shares:	10,763,083		10,163,083	
	2015	2014	2015	2014
	\$	\$	No.	No.
(a) Movement in fully paid ordinary shares				
Opening balance	10,163,083	10,163,083	84,039,679	84,039,679
Movement during the year (iii)	600,000	-	30,000,000	-
Closing balance	10,763,083	10,163,083	114,039,679	84,039,679

(b) Terms of Issue:

(i) Fully paid ordinary shares

Ordinary shares participate in dividends and are entitled to one vote per share at shareholders meetings. In the event of winding up the company, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation in proportion to the number of shares held.

(ii) Options

There are 10,000,000 options (exercisable at 10 cents) over the Company's shares that expiring on 31 August 2018. Unless converted to ordinary shares, the options do not participate in dividends. Options are not entitled to one vote at shareholders meetings. In the event of winding up the company, option holders are not entitled to any proceeds of liquidation.

(iii) Includes \$200,000 (10,000,000 shares) of convertible notes converted to equity (Refer to note 8).

10. SEGMENT INFORMATION

The Group operates in a single segment being mining and exploration activities in Australia.

11. FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks and trade and other payables. The Group does not use derivative financial instruments to hedge exposure to financial risks.

(i) Treasury Risk Management

There have been no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

(ii) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. Refer to Note 1(A) regarding the Company and the Group's ability to continue as going concerns.

(iii) Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

NOTES TO THE FINANCIAL STATEMENTS

Interest rate risk

The Group does not enter into interest rate swaps, forward rate agreements, or interest rate options to manage cash flow risks associated with interest rates on borrowings that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

12. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Refer to Note 1(A) regarding the Company and the Group's ability to continue as going concerns.

The tables that follow reflect an undiscounted contractual maturity analysis for financial assets and liabilities.

Cash flows from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will roll forward.

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
<i>Financial liabilities – due for payment:</i>								
Trade and other payables	266,878	146,814	-	-	-	-	266,878	146,814
Borrowings	1,148,266	607,800	-	-	-	-	1,148,266	607,800
	1,415,145	754,614	-	-	-	-	1,415,145	754,614
<i>Financial assets – cash flows realisable</i>								
Cash and cash equivalents	770,964	17,879	-	-	-	-	770,964	17,879
	770,964	17,879	-	-	-	-	770,964	17,879

As described in Note 17 the Company has commitments for further cash expenditure not included above in relation to mining tenements.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. There is negligible credit risk on financial assets, excluding investments, since there is no exposure to individual customers or countries and the Group's exposure is limited to the amount of cash, short-term investments and receivables which have been recognised in the statement of financial position.

Price risk

The Group is exposed to commodity price risk through its interests in mining leases. Changes in market price for commodities impact the economic viability of the mining leases. The Group has not entered into any hedges in relation to these commodities. It is not possible to quantify the effect on profit or equity of any change in commodity prices.

NOTES TO THE FINANCIAL STATEMENTS

13. PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the Parent Entity.

	2015	2014
	\$	\$
Financial position		
Assets		
Current assets	770,944	17,893
Non-current assets	14	795,518
Total assets	770,958	813,411
Liabilities		
Current liabilities	1,415,145	754,614
Total liabilities	1,415,145	754,614
Equity		
Issued capital	10,763,083	10,163,083
Reserves	250,522	155,275
Accumulated losses	(11,657,792)	(10,259,561)
Total equity	(644,187)	58,797
Financial performance		
Loss for the year	(1,398,231)	(562,541)
Other comprehensive income	-	-
Total comprehensive loss	(1,398,231)	(562,541)

Contingent liabilities

See note 18 for details of contingent liabilities of the Parent Entity.

NOTES TO THE FINANCIAL STATEMENTS

14. CASH FLOW INFORMATION

	2015 \$	2014 \$
(a) Reconciliation of cash flows from operations with loss after income tax		
Loss after income tax	(1,398,231)	(562,541)
Non cash flows in operating activities:		
Exploration costs written off	804,750	-
Non-cash operating expenses	-	-
Equity component on convertible notes	141,890	108,074
Changes in assets and liabilities:		
• Increase /(Decrease) in payables	119,656	(41,289)
Net Cash Used in Operating Activities	<u>(331,935)</u>	<u>(562,541)</u>
(b) Reconciliation of cash and cash equivalents		
Cash at bank	<u>770,964</u>	<u>17,879</u>
(c) Credit Standby Arrangements with Banks		
Overdraft facility limit	25,000	25,000
Amount utilised	-	-
	<u>25,000</u>	<u>25,000</u>

* Part of the proceeds on sale of mining tenements was satisfied by non-cash contribution of shares in Greenvale Mining NL (GRV) which were then distributed in-specie to the company's shareholders (Note 7(b)).

NOTES TO THE FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS

KEY MANAGEMENT PERSONNEL COMPENSATION IS AS FOLLOWS:

	2015 \$	2014 \$
Short-term employee benefits	111,000	126,896
Post-employment benefits	3,135	3,330
	<u>114,135</u>	<u>130,226</u>

Information regarding individual Directors' compensation is provided in the remuneration report section of the Directors' report.

There were no other material contracts involving Directors' interests existing at year end.

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS:

There were no transactions with other key management personnel.

MOVEMENT IN SHARES

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

Director	Held 1 July 2013	Purchases	Sales	Other	Held at 30 June 2014	Purchases	Sales	Other	Held at 30 June 2015
Fully Paid Ordinary Shares									
Mr Lorentz	4,000 ¹	-	-	(4,000)	-	-	-	-	-
Mr Knauer	10,427,515 ²	620,529	-	-	11,048,044 ²	-	-	-	11,048,044 ²
Mr Khouri	1,000,000 ³	-	-	-	1,000,000 ³	-	-	(1,000,000) ³	-
Mr Fayad	-	-	-	-	-	-	-	-	-
Mr Rawicki	-	-	-	-	-	-	-	-	-
Ms Zhang ⁴	-	-	-	-	-	-	-	15,000,000 ⁴	15,000,000 ⁴

¹ Retired at Annual General Meeting November 2013

² Relevant interests held in shares registered in the name of Moneybung Pty Limited atf <Moneybung Family Trust> of which Kris Knauer is a beneficiary and Pitt Street Absolute Return Pty Ltd of which Kris Knauer is a Director and beneficiary.

³ Relevant interests held in shares registered in the name of Bejjol Pty Limited in which Jacob Khouri is a Director and beneficiary. Jacob Khouri was appointed as a director on 17 February 2012.

⁴ Relevant interests held in shares registered in the name of SJL Management Pty Limited atf <Zhang Family Trust> of which Sophia Zhang is a beneficiary

No Director has a margin loan on any of the above shares.

TRANSACTIONS WITH RELATED PARTIES

The Series A and Series B Convertible Notes are with entities associated with Executive Chairman Kris Knauer, MIL (who is a substantial shareholder of the Company and another shareholder. The terms of these Notes are detailed in Note 10. The terms of the Notes were approved by the non-associated shareholders on 30 April 2014. Jacob Khouri and Silvi ElKhouri are Directors of Gun Corporate Capital Pty Ltd a company that provided services under an agreement that terminated in May 2015. Costs for the period were -2015 \$33,000 (2014: \$356,000).

NOTES TO THE FINANCIAL STATEMENTS

16. SUBSIDIARIES

Subsidiary	Country of incorporation	Ownership interest	
		2015 %	2014 %
Dingo Resources Pty Limited	Australia	70	70
Yampi Sound Pty Limited	Australia	70	70

Under the terms of the shareholders agreement with the outside equity shareholder in Dingo Resources Pty Limited and Yampi Sound Pty Limited, the Company is responsible for all funding of the exploration and mining costs. Accordingly, there is no allocation of the loss to the outside equity holders.

17. AUDITORS' REMUNERATION

	2015 \$	2014 \$
Auditing and reviewing financial reports – RSM Bird Cameron Partners	35,091	27,500

For the year ended 30 June 2015 the auditor appointed are RSM Bird Cameron Partners.

18. COMMITMENTS AND CONTINGENCIES

As at 30 June 2015 there are no contingencies that affect the company and consolidated entity.

Capital expenditure commitments of the company and consolidated entity as at 30 June 2015:

Kununurra Tenements

To retain its interest, the Group must solely fund up to a maximum of \$2,000,000 to the conclusion of exploration phase of the project. In addition, the Group is required to solely fund an additional \$200,000 in exploration costs and subject to approval from the joint venture partner, \$100,000 to increase the Group's effective interest in the tenement from 42% to 56%.

NOTES TO THE FINANCIAL STATEMENTS

19. EVENTS SUBSEQUENT TO BALANCE DATE

On 21 August 2015, the Company announced that it had subject to certain conditions precedent, entered into a transaction to acquire 51% of the issued capital of eDutyFree Pty Ltd ('eDutyFree') from the majority shareholder.

As consideration, ESM will:

- issue 1,000,000 ESM shares at 5c each along with 1,000,000 attaching options with 10c exercise price and 18 months expiry, to the Vendor on the date of signing the Agreement ('Initial Securities'). The Initial Securities will be escrowed for a period determined by the ASX; and
- issue 8,200,000 ESM shares at 5c each along with 8,200,000 attaching options with a 10c exercise price and 18 months expiry, to the Vendor on completion of the acquisition ('Completion Securities'). The Completion Securities will be escrowed for a period determined by the ASX. ESM will also provide eDutyFree with a debt facility in the amount of \$1,040,000 on completion.

This is subject to the completion of due diligence in respect of eDutyFree and the Vendor to the reasonable satisfaction of ESM and the members of ESM having given all necessary approvals to the transactions contemplated by the Agreement as required under the Corporations Act 2001 (Cth) and the ASX Listing Rules and in particular ASX Listing Rules 7.1, 11.1.2 and 11.1.3 as well as re-complying with the requirements of Chapters 1 & 2.

Other than the above, there have been no events subsequent to year end which would have a material effect on the Group's financial statements at 30 June 2015.

20. RESERVES

Share premium reserve

The share premium reserve records items recognised as expenses on valuation of the equity component on convertible notes issued (note 9).

	2015 \$	2014 \$
Share based payment reserve	250,522	155,275
	2015 \$	2014 \$
(a) Movement in share premium reserve		
Opening balance	155,275	-
Equity component on convertible notes	95,247	155,275
Closing balance	250,522	155,275

DIRECTOR'S DECLARATION

The Directors of Esperance Minerals Limited declare that:

- (a) based on the matters set out in Note 1(A), in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;
- (c) in the directors' opinion, the financial statements and notes thereto 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
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of directors made pursuant to S295 (5) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Robert Lees', is written over a horizontal line.

Robert Lees
Chairman

Dated at Sydney this 30th day of September 2015.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ESPERANCE MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Esperance Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Esperance Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Esperance Minerals Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Emphasis of matter


Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company's and consolidated entity's statement of profit or loss and other comprehensive income for the year ended 30 June 2015 reflected a net loss of \$1,398,231. The consolidated entity's statement of financial position as at 30 June 2015 reflected net current liabilities and a deficiency of net assets of \$644,187. The consolidated entity's consolidated statement of cash flows for the year ended 30 June 2015 reflected net cash used in operating activities of \$331,935. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 17 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Esperance Minerals Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.


RSM BIRD CAMERON PARTNERS
C J Hume
Partner

Sydney, NSW

Dated: 30 September 2015

ADDITIONAL INFORMATION REQUIRED BY THE ASX

At 7 September 2015

THE NUMBER OF SHAREHOLDERS AND THE DISTRIBUTION OF THEIR HOLDINGS IN EACH CLASS OF QUOTED SECURITIES WAS AS FOLLOWS:

	Fully Paid	Options
1 - 1,000	670	-
1,001 - 5,000	271	-
5,001 - 10,000	50	-
10,001 - 100,000	75	1
100,001 and over	62	9
	<u>1,128</u>	<u>10</u>

SHAREHOLDERS WITH HOLDINGS LESS THAN A MARKETABLE PARCEL OF 11,628 SHARES:

993

THE TWENTY LARGEST SHAREHOLDERS HOLD:

Fully Paid	Options
86.80%	100.00%

SUBSTANTIAL SHAREHOLDERS:

	Share Holding	
Mining Investments Limited	17,000,000	10.50%
Moneybung Pty Ltd	8,470,000	10.08%
Q Supa Pty Ltd	6,062,500	7.21%

TOP TWENTY HOLDERS OF FULLY PAID SHARES

	Number	%
ABN Amro Clearing Sydney – Cust A/C	16,990,207	14.90
SJL Managemnet Pty Ltd ,Zhang Family A/C>	15,000,000	13.15
Moneybung Pty Ltd	8,470,000	7.43
HSBC Custody Nominees (Aust.) Limited	7,466,241	6.55
Citicorp Nom Pty Ltd	7,301,507	6.40
Q Supa Pty Ltd	6,062,500	5.31
Pan Investment Group Pty Ltd	5,000,000	4.38
Trayburn Pty Ltd	4,009,480	3.52
Sunshore Holdings Pty Ltd	3,112,298	2.73
Ms Louise Quinn	2,857,985	2.51
Pershing Australia Nominees	2,809,885	2.46
Pitt Street Absolute Returns	2,578,044	2.26
Australian Trade Access Pty Ltd	2,000,000	1.75
Lapj Nominees Pty Ltd	2,000,000	1.75
Mr Robert Martin Rowley <No2 S/F A/C>	1,921,902	1.69
Sanperez Pty Ltd	1,875,000	1.64
Brazilliant Pty Ltd	1,500,000	1.32
Traian Johnny	1,455,861	1.28
J P Morgan Nominees Australia Ltd	1,351,479	1.19
Bejjol Pty Ltd	1,000,000	0.88
	<u>94,762,389</u>	<u>82.36</u>

ADDITIONAL INFORMATION REQUIRED BY THE ASX

At 7 September 2015

TOP HOLDERS OF OPTIONS - UNQUOTED

	Number	%
SJL Management Pty Ltd <Zhang Family A/C>	5,000,000	50.0
Pan Investment Group Pty Ltd	5,000,000	50.0
	10,000,000	100.0

VOTING RIGHTS:

All ordinary shares carry one vote per share without restriction.

Option holders have no voting rights.