Alto Metals Limited

ABN 62 159 819 173

Annual Financial Report

for the year ended 30 June 2017

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CORPORATE DIRECTORY

Directors

Dr Jingbin Wang	Non-Executive Chairman
Mr Dermot Ryan	Executive Director
Mr Stephen Stone	Non-Executive Director
Mr Terry Wheeler	Non-Executive Director

Company Secretary
Mr Sam Middlemas

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ASX Code – AME

DIRECTORS' REPORT

Your Directors present their report on Alto Metals Limited ("Alto" or "Company") and its controlled entities ("Group") for the financial year ended 30 June 2017.

Directors

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

Dr Jingbin Wang (appointed 12 October 2016)
Mr Dermot Ryan
Mr Stephen Stone
Mr Terry Wheeler (appointed 2 December 2016)
Ms Anna Mao (resigned 12 October 2016)
Mr William Robertson (resigned 2 December 2016)

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

Information on Directors

Dr Jingbin Wang	— Non-Executive Chairman, appointed 12 October 2016
Experience	— Dr Wang is a geologist with extensive international minerals experience, and has been Chairman since 2004 of Sinotech Minerals Exploration Co. Ltd. He has a B.Sc in Mineral Prospecting and Exploration from Central-South University of Technology Changsha, China, and an MSc and PhD in magmatic petrology and economic geology from the same university. He has been President of the prestigious Beijing Institute of Geology for Mineral Resources since 2002, and is an accomplished mining team leader with a track record of discovering major deposits around the world. Dr Wang has also held the title of Vice-President of the China Nonferrous Metals Industry Association since 2008 and was Executive Director of China Nonferrous Metals Resource Geological Survey from 2003 -2015. Dr Wang is a leader in the non-ferrous metals industry in China with over 30 years' experience in mineral exploration and mining.
Special Responsibilities	— Member of the Remuneration & Nomination Committee and Member of the Audit & Risk Committee.
Directorships held in other listed entities	— Enterprise Metals Ltd (July 2011 – 12 October 2016) East Africa Metals Limited (TSX) (June 2013 – present) Orca Gold Inc (TSX) (June 2009 – present) Nickel North Exploration Corp. (TSX) (August 2012 – present)
Mr Dermot Ryan	— Executive Director, appointed 8 August 2012
Experience	— Mr Ryan spent 20 years with CRA Ltd from 1977-1996, including 10 years as Chief Geologist for CRA Exploration in various states of Australia. He was GM Exploration for Great Central Mines Ltd (later Normandy Yandal Operations Ltd) from late 1996-2001, and for the past 10 years has run a private mineral exploration consulting Company (XServ Pty Ltd). He is a Fellow of the AusIMM, (CP), a Fellow of the AIG, and holds a BApSc (Geol). Acting CEO since 26 June 2013.
Special Responsibilities	— Member of the Remuneration & Nomination Committee
Directorships held in other listed entities	— Legend Mining Limited (May 2005 – October 2013) Enterprise Metals Limited (October 2008 – present). There have been no other listed entity directorships in the last 3 years.
Mr Stephen Stone	— Non-Executive Director, appointed 23 June 2016

Experience	— Mr Stone is currently Managing Director of the ASX Listed Azumah Resources Limited. He graduated with honours in Mining Geology from University of Wales, Cardiff and has since gained more than 30 years' operating, project evaluation, executive management and corporate development experience in the international mining and exploration industry. Mr Stone worked for several years at the large open pit and underground copper mines of the Zambian Copperbelt. He came to Australia in 1986 and since then has been involved in the formation and management of several junior ASX listed exploration companies. Mr Stone is a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Australian Institute of Company Directors and a member of the Editorial Board of International Mining Magazine.
Special Responsibilities	— Chairman of the Remuneration & Nomination Committee and Chairman of the Audit & Risk Committee.
Directorships held in other listed entities	— Managing Director of Azumah Resources Limited since November 2006 Director of Castle Minerals Limited since 18 January 2016.
Mr Terry Wheeler	— Independent Non-Executive Director, appointed 9 September 2016
Experience	— Mr Wheeler commenced employment as a laboratory assistant at the DSIR (Department of Scientific & Industrial Research) in London in 1958 and achieved his academic qualifications whilst gaining excellent practical work experience. He migrated to Perth, Western Australia, in 1967 and joined Western Mining Corporation, where his mineral analysis experience was gained, and with further study and qualifications he was promoted to Chief Chemist of the Kambalda Nickel Operation in the Eastern Goldfields. Terry and his wife Christina established Genalysis Laboratory Services in 1975, and grew the company into one of the largest and most successful analytical companies in the southern hemisphere with over 300 technical staff. In 2007, Genalysis Laboratory Services was purchased by Intertek Group plc. Terry is a Fellow of the Royal Australian Chemical Institute, a Member of the Australasian Institute of Mining and Metallurgy Inc., a Member of the Association of Exploration Geochemists, and an Associate Member of the International Association of Geoanalysts.
Special Responsibilities	— Member of the Remuneration & Nomination Committee and Member of the Audit & Risk Committee.
Directorships held in other listed entities	— Nil

Ms Anna Mao resigned from the board on 12 October 2016, and Mr William Robertson resigned from the board on 2 December 2016.

Company Secretary

The following persons held the position of Company Secretary during or since the end of the financial period:

Mr Sam Middlemas was appointed Company Secretary and Chief Financial Officer on 15 July 2016. Sam is a chartered accountant with more than 15 years' experience in various financial and company secretarial roles with a number of listed public companies operating in the resources sector. He is the principal of a corporate advisory company which provides financial and secretarial services specialising in capital raisings and initial public offerings. Previously Mr Middlemas worked for an international accountancy firm. His fields of expertise include corporate secretarial practice, financial and management reporting in the mining industry, treasury and cash flow management and corporate governance.

Ms Susan Hunter resigned as Company Secretary 15 July 2016.

Principal Activities

The principal activities of the Group during the financial period were the exploration of a number of gold and uranium tenements in Western Australia.

Significant Changes in State of Affairs

At the end of 2016 financial year, the Group acquired the Sandstone gold project and refocused its activities on the gold sector, and changed its name from Enterprise Uranium Limited to Alto Metals Limited.

During the current year the Company raised $2.6 million in funds through a Share Purchase Plan in July 2016 and a placement in October 2016, to sophisticated investors to fund exploration on the Sandstone project.

Exploration activities will continue at the Sandstone Gold project to increase the current Mineral Resource inventory.

Operating Results

The consolidated loss of the Group after providing for income tax amounted to $1,482,442 (2016: $1,921,795). The consolidated loss includes an amount of $450,526 (2016: $1,942,656) related to exploration expenses which have been written off during the year following a detailed exploration review.

Dividends Paid or Recommended

No dividend has been recommended.

REVIEW OF OPERATIONS

SANDSTONE GOLD PROJECT

On 23rd June 2016, Alto announced that it had completed the acquisition of all of the issued capital of Sandstone Exploration Pty Ltd (Sandstone), whose only asset was the Sandstone Gold Project located approximately 600km northeast of Perth in the East Murchison Mineral Field of Western Australia.

The Company issued 19 million ordinary fully paid Alto shares to the vendors, and a sum of $500,000 cash, to complete the acquisition. The vendors have retained a 2% gross royalty, the right to fossick down to 2m below the surface for all minerals and metals including gold nuggets, and were issued 25 million performance shares. The performance shares convert on a one-for-one basis into Alto fully paid ordinary shares upon Alto confirming total combined Inferred and / or Indicated Mineral Resources and / or Ore Reserves of at least 500,000oz gold (or equivalent for other minerals or metals) in aggregate, on one or more of the Tenements.

The Sandstone Gold Project tenure at that stage covered approximately 80% of the Archaean Sandstone Greenstone Belt and comprised five Exploration Licence applications [E57/1029 – 1031, E57/1033 & E57/1041] and two Prospecting Licences [P57/1377-1378] for a total landholding of ~723km². The tenements were subsequently granted on 23 September 2016, and during the year, Alto has added further tenements bringing the total area under title to approximately 800km^2.

Alto's ultimate objective is to discover 5 million ounces in high-grade gold deposits which will support profitable mining operations over a 10 – 20 year period at Sandstone. Its short term strategy is to delineate at least 1 million ounces of gold in shallow deposits (Vanguard, Indomitable, Lord Nelson, Lord Henry, and others) that can be mined profitably and supply cash to fund ongoing exploration and discovery of new gold deposits. Alto is also investigating opportunities to enter into 50:50 profit share mining agreements with mining companies which have operating gold treatment facilities within a 200km radius of Sandstone.

To support Alto's main objective, since the grant of the tenements in late 2016, it has undertaken:

- acquisition and interpretation of high-resolution airborne magnetic and radiometric data,
- litho-structural interpretation of the geology of the greenstone belt and gold deposit targeting,
- Induced Polarisation (IP) surveys where appropriate (to detect large deep sulphide systems)
- estimation of remaining Mineral Resources at Lord Nelson and Lord Henry deposits to JORC (2012) standard by Snowden Mining Industry Consultants (Snowden),
- aircore (AC) drill testing of seven prospects and
- reverse circulation (RC) drill testing of five prospects.

The Company has also established an External Research Advisory Committee (ERAC) chaired by Emeritus Professor David Groves, who is a world renowned expert in Archaean orogenic gold deposits. The Company is also funding a PhD student at the University of Western Australia (UWA), to undertake an "*Assessment of the potential orogenic gold endowment of the Sandstone Greenstone Belt using a mineral systems approach*". This research is being co-supervised by Professors Allan Trench and Michael Dentith of the Centre for Exploration Targeting, (UWA).

In support of Alto's short term strategy to undertake early stage mining of known resources to provide an early cashflow, two Mining Lease Applications (MLA's) were lodged with the WA Department of Mines, Industry Regulation and Safety (DMIRS) in June 2017. The Lord Nelson MLA57/640 covers ~286 hectares, and the Lord Henry MLA57/639 covers ~185 hectares. The two MLA's are large enough to accommodate possible extensions to the open pits, existing and future waste dumps, and infrastructure that may be required for the resumption of mining.

Alto envisages developing the **Lords Project** under a 50:50 profit-sharing mining agreement with one of several gold producers in the region that have surplus milling capacity. These types of arrangements are relatively common in the WA Goldfields as they allow for the development of smaller gold deposits at minimal capital cost.

Alto's Mineral Resource inventory estimated by Snowden Mining Industry Consultants is shown in Tables 1 & 2 below.

Table 1. Sandstone Gold Project - Mineral Resources JORC (2012)*

Prospect	Category	Tonnes (,000)	Grade (g/t)	Ounces (,000)
Lord Nelson	Inferred	983	2.2	68
Lord Henry	Indicated	1,238	1.6	65
	Inferred	110	1.3	4
Lord Henry Total		1,348	1.6	69
TOTAL (JORC 2012)		2,331	1.8	137

Table 2. Sandstone Gold Project - Mineral Resources JORC (2004)**

Prospect	Category	Tonnes (,000)	Grade (g/t)	Ounces (,000)
Havilah	Indicated	285	1.7	15.5
	Inferred	41	2.1	2.8
Maninga Marley	Inferred	80	3.1	8.0
Vanguard	Inferred	330	1.6	16.7
Ladybird	Indicated	118	2.5	9.6
	Inferred	40	2.1	2.7
Tigermoth	Inferred	561	1.7	31.2
Piper	Indicated	91	1.4	4.0
Bull Oak Reefs	Inferred	390	1.5	18.8
Sandstone North	Inferred	77	2.0	4.9
Oroya Underground	Inferred	63	5.3	10.7
TOTAL (JORC 2004)		2,076	1.9	125

Total Indicated		**494**	**1.8**	**29**
Total Inferred		**1,582**	**1.9**	**96**
TOTAL (JORC 2004)		2,076	1.9	125

***Note 1.** JORC (2012) Mineral Resources estimated by Snowden in 2017 for Alto Metals Ltd.

Full details of the 2017 Lord Nelson & Lord Henry Mineral Resource Estimates are available from the Alto Website:

http://www.asx.com.au/asxpdf/20170428/pdf/43htcqvxrlmp2w.pdf

http://www.asx.com.au/asxpdf/20170516/pdf/43j8w1mhq5290t.pdf

****Note 2:** JORC (2004) Mineral Resources estimated by Snowden in 2007 for Troy Resources NL.

A Competent Person has not completed sufficient work to accurately classify the JORC 2004 estimates as Mineral Resources under the JORC 2012 Code. Historic exploration and drilling data and Mineral Resources (JORC 2004) were reported in Snowden Mining Industry Consultants, June 2007, *"National Instrument 43-101 Technical Report-Sandstone, for Troy Resources NL."* TRY: ASX release 10 December 2007, Page 139. Alto understands that this information has not been updated since to comply with the JORC Code 2012, and Alto is not aware of any new information or data that materially affects the information provided in the Snowden 2007 NI43-101 Report, and considers that all of the previous assumptions and technical parameters underpinning the estimates in the previous reports have not materially changed.

Note 3: There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources.

Initial Drill Testing of Sandstone Project Targets

In the nine months since the Sandstone Project tenements were granted, Alto has undertaken aircore (AC) drilling (120 holes for 10,989m) at the following prospects: Indomitable, Piper, Tigermoth, Bulchina, Vanguard North and Vanguard to test for shallow oxide hosted gold mineralisation. High grade assay results were returned from Indomitable, Vanguard North and Vanguard. See Tables 4 - 6 below.

Table 4. Indomitable Prospect – Significant Aircore Assay Results

Hole	East	North	From	To	Interval	Grade
			(m)	(m)	(m)	(g/t Au)
AHMAC009	733180	6892295	120	123	3	3.7
incl.			121	122	1	6.1
AHMAC010	733220	6892295	60	104	44	2.1
incl.			65	73	7	3.8
and			94	104	10	3.6
AHMAC015	733180	6892260	44	51	7	4
incl.			48	49	1	13.3
and			100	111	11	2.3
AHMAC019	733280	6892180	64	73	9	4.1
incl.			64	67	3	10.2
and			77	82	5	6.4
incl.			79	81	2	14.4
AHMAC025	734660	6892460	52	56	4	2.9

Table 5. Vanguard North Prospect - Significant Aircore Assay Results

Hole	East	North	From	To	Interval	Grade
			(m)	(m)	(m)	(g/t Au)
SAC105	740495	6884952	64	68	4	5.21
incl.			66	67	1	18.4
SAC107	740563	6884979	30	31	1	2.08
SAC108	740543	6884951	45	48	3	8.8
incl.			45	46	1	22.19
SAC109	740515	6884916	65	67	2	4.91
incl.			66	67	1	7.96
SAC112	740576	6884928	34	35	1	4.75
SAC115	740632	6884929	28	31	3	8.23
incl.			28	29	1	21.65
SAC116	740606	6884895	47	50	3	2.11
SAC117	740578	6884864	65	69	4	5.38
incl.			65	66	1	19.38
SAC119	740598	6884825	71	77	6	3.34
and			74	75	1	17.7

Table 6. Vanguard Prospect – Significant Aircore Assay Results

Hole	East	North	From	To	Interval	Grade
			(m)	(m)	(m)	(g/t Au)
SAC090	740697	6884154	27	30	3	3.85
incl.			29	30	1	9.74
SAC092	740747	6884214	52	58	6	2.82
incl.			54	56	2	5.7
SAC093	740773	6884247	33	37	4	3.56
incl.			36	37	1	12.57
SAC096	740800	6884224	9	10	1	8.52
and			16	26	10	2.17
incl.			17	18	1	6.07
SAC098	740831	6884188	40	49	9	1.98
incl.			42	44	2	3.19
and			47	48	1	7.95
SAC099	740853	6884216	53	61	8	2.61
incl.			56	59	3	5.19
			57	58	1	9.52

Following these encouraging assay results, Alto undertook RC drilling at these prospects, with numerous high grade gold intersections being attained. To date, Alto has drilled 36 RC holes for 4,858m. Significant RC gold assay results returned from Vanguard are shown below in Table 6.

Table 6. Significant Vanguard RC Assay Results

Hole	Local East	Local North	Hole Depth	From (m)	To (m)	Interval (m)	Grade (g/t Au)
SRC012	29900	9312	120	54	61	7	2.34
incl.				55	56	1	5.78
SRC013	30084	9290	132	23	24	1	4.51
and				52	58	6	5.30
incl.				53	55	2	9.17
incl.				54	55	1	11.14
SRC014	30119	9291	150	32	36	4	2.69
and				87	99	12	2.99
incl.				94	98	4	5.80
incl.				96	97	1	11.06
and				103	108	5	4.78
incl.				104	105	1	5.79
and				107	108	1	8.57
SRC015	30150	9291	180	119	130	11	2.43
incl.				124	125	1	6.60
and				127	128	1	7.59
SRC016	30113	9248	156	54	56	2	5.54
incl.				54	55	1	8.91
and				122	140	18	4.26
incl.				126	138	12	5.61
incl.				127	128	1	10.59
and				130	131	1	7.51
and				133	135	2	12.20
incl.				134	135	1	14.70
SRC017	30051	9329	138	69	80	11	2.20
and				136	137	1	3.45
SRC018	29920	9092	96	30	31	1	6.32
SRC019	29956	9089	90	39	47	8	3.56
incl.				42	43	1	5.34
and				44	46	2	7.18
and				52	59	7	5.87
incl.				53	56	3	11.57
incl.				53	54	1	26.75

From these RC results, it is apparent that the primary mineralisation at Vanguard is hosted in dolerite, which is considered a favourable host rock for larger gold deposits in Western Australia. Alto has re-appraised the broader Sandstone Greenstone Belt, and re-prioritised its exploration strategy to focus on the "*Alpha Mafic Volcanic Domain*". This zone encompasses the 20km long mafic volcanic sequence from Indomitable to Maninga Marley. Alto is now designing a drilling program to extend the Vanguard mineralisation to the southwest and northeast, and to test the dolerite unit hosting Maninga Marley. Multiple Programs of Work have been lodged with a view to this RC drilling commencing in the latter half of 2017.

URANIUM PROJECTS

The Company holds granted tenements and tenement applications in Western Australia over three project areas (Yalgoo, Gascoyne and Marmion) prospective for sand hosted "*in situ recovery*" style (ISR) and calcrete hosted uranium deposits. The current strategy is to maintain this uranium exploration portfolio while the Company seeks an opportunity to divest the projects. However, as no active exploration is being carried out at present on these properties the tenements may be surrendered or tenement applications may be withdrawn as appropriate.

Competent Persons Statement

The information in this Report that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Dermot Ryan, who is an employee of Xserv Pty Ltd and a Director and security holder of the Company. Mr Ryan is a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Ryan consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Financial Position

The net assets of the Group at 30 June 2017 are $7,883,936 (2016: $7,117,768).

After Reporting Date Events

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Future developments, prospects and business strategies

The next year exploration activities will be focussed on building up the gold resource at the Sandstone Gold Project.

Exploration Risk

Mineral exploration and development are high-risk undertakings, and there is no assurance that exploration of the Tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Company.

Meetings of Directors

During the financial period, six meetings of Directors (including committees of Directors) were held. Attendances by each Director during the period were as follows:

	DIRECTORS' MEETINGS		REMUNERATION & NOMINATION COMMITTEE		AUDIT & RISK COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Dr Jingbin Wang (1)	4	4	1	1	1	1
Dermot Ryan	6	6	1	1	2	2
Stephen Stone	6	6	1	1	2	2
Terry Wheeler (2)	3	3	1	1	1	1
Anna Mao (3)	2	2	0	0	1	1
William Robertson (4)	3	3	0	0	1	1

(1) Appointed 12 October 2016
(2) Appointed 2 December 2016
(3) Resigned 12 October 2016
(4) Resigned 2 December 2016

Indemnifying Officers or Auditor

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

- The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the Directors.
- The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was $6,577 (2016: $6,742).
- No indemnity has been given to the Company's auditors.

Options/Performance Shares

At the date of this report, there are nil options on issue over ordinary shares of Alto Metals Limited (2016 – Nil).

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

The Company issued 25,000,000 performance shares for nil consideration to the vendors of Sandstone Exploration Pty Ltd following approval at a shareholders meeting on 20 May 2016. These performance shares will convert into 25,000,000 fully paid ordinary shares once an announcement of an inferred JORC 2012 Mineral Resource is made of a tonnage and grade to establish contained metal of at least 500,000 ounces of gold (or other metal equivalent) on the Sandstone tenements any time prior to 23 June 2021.

The Company issued 10,750,000 performance rights to Directors and employees on 9 December 2016 following approval at the Annual General Meeting of shareholders on 30 November 2016. The Performance rights were issued in four tranches with the following hurdle rates:

Class	Performance Rights granted to Directors and Staff	Expiry Date	Performance Condition
A	2,687,500	9 December 2017	the Company's announcing to the ASX of an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) of at least 500,000 oz Au of at least 1.5g/t
B	2,687,500	9 December 2018	the Company's announcing to the ASX of an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) of at least 1,000,000 oz Au of at least 1.5g/t
C	2,687,500	9 June 2019	the Company's announcing to the ASX of a 20,000 oz Au sold
D	2,687,500	9 December 2019	the Company's announcing to the ASX 50,000 oz Au sold

Environmental Regulations

The Company is subject to significant environmental regulation in respect to its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the period under review.

Non-audit Services

The following non-audit services were provided by the entity's auditor, Grant Thornton Audit Pty Ltd, or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;

None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Grant Thornton Audit Pty Ltd, or associated entities, received or are due to receive the following amounts for the provision of non-audit services:

	2017 $	2016 $
Tax compliance services	3,900	5,150

Proceedings on Behalf of Company

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

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

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Alto Metals Limited and other key management personnel.

A. Remuneration Policy

The remuneration policy of Alto Metals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of Alto Metals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

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

The remuneration policy, setting the terms and conditions for the executive Directors and other senior executives, was developed by the Remuneration & Nomination Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, and options as performance incentives. The Remuneration & Nomination Committee reviews executive packages annually by reference to the Company's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

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

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options given to Directors and employees are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at the lower end of market rates for comparable companies for time, commitment, and responsibilities. The Remuneration & Nomination Committee determines payments to the Non-Executive Directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

There is no relationship between KMP remuneration and the performance of the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and executives' performance. The Company believes this policy will be effective in increasing shareholder wealth. No options have been issued to Directors in the period under review to the date of this report.

Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial period ended 30 June 2017.

Voting and comments made at the Company's 2017 Annual General Meeting

The Company received approximately 99% of "yes" votes based on the number of proxy votes received on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

B. Details of Remuneration for Period Ended 30 June 2017

There were no cash bonuses paid during the period and there are no set performance criteria for achieving cash bonuses. The following table of benefits and payment details, in respect to the financial period, the components of remuneration for each member of the key management personnel of the Company.

Table of Benefits and Payments for the Period Ended 30 June 2017

Key Management Personnel 2017	**Short-term benefits**		**Post-employment benefits**	**Equity-settled share-based payments**	**Total**	**Remuneration performance based**
	Salary, fees and leave	**Cash from other activities**	**Superannuation**	**Equity**		
	$	**$**	**$**	**$**	**$**	**%**
Jingbin Wang – Chairperson (1)	41,998	-	-	9,308	51,306	18.2
Dermot Ryan – Managing Director (2)	227,860	-	-	46,541	274,401	16.9
Stephen Stone – Non-Executive Director (3)	40,000	-	-	6,981	46,981	14.6
Terry Wheeler – Non-Executive Director (4)	21,304	-	2,024	-	23,328	-
Anna Mao – former Chairperson (5)	14,000	-	-	-	14,000	-
William Robertson – Non-Executive Director (6)	15,221	10,020	1,446	11,635	38,322	30.3
Sam Middlemas – Company Secretary (7)	65,571	-	-	9,308	74,879	-
	425,954	**10,020**	**3,470**	**83,774**	**523,217**	**14.4**
2016						
Anna Mao – Chairperson (5)	49,000	-	-	7,000	56,000	-
Dermot Ryan – Managing Director (2)	148,577	-	-	-	148,577	-
Dr Zhen Huang – Non-Executive Director (5)	10,000	-	-	-	10,000	-
William Robertson – Non-Executive Director (6)	31,530	5,400	3,470	5,000	45,400	-
Stephen Stone – Non-Executive Director (3)	765	-	-	-	765	-
Susan Hunter – Company Secretary (8)	32,968	-	-	-	32,968	-
	272,840	**5,400**	**3,470**	**12,000**	**293,710**	**-**

(1) Dr Jingbin Wang was appointed to the board on 12 October 2016.

(2) The amount shown above is the amount paid for services provided by Dermot Ryan through his private company Xserv Pty Ltd.

(3) Fees paid to Stephen Stone are paid to his private company Westone Pty Ltd.

(4) Terry Wheeler was appointed to the board on 2 December 2016.

(5) The amounts shown above are the amounts paid for services provided by Anna Mao and Zhen Huang through their private company Mega Capital Resources Ltd. Anna Mao resigned from the board on 12 October 2016, Zhen Huang resigned from the Board on 1 October 2015

(6) The amounts shown above for William Robinson includes $10,020 (2016-5,400) paid to his private company Value Added Resources Pty Ltd for geophysical consulting services. Mr Robinson resigned from the Board on 2 December 2016.

(7) Sam Middlemas was appointed Company Secretary on 15 July 2016. All fees are paid to his private company Sparkling Investments Pty Ltd

(8) Fees paid to Susan Hunter were paid to her private company Hunter Corporate Pty Ltd. Susan resigned as Company Secretary on 15 July 2016.

REMUNERATION REPORT (AUDITED)

Equity instrument disclosures relating to KMP

(i) Option holdings

No options are held by Key Management Personnel.

(ii) Shareholdings and performance rights

The number of ordinary shares and performance rights in Alto Metals Limited held by each KMP of the Company during the financial period is as follows:

2017	Balance at the start of the period	Received during the period as compensation	Other changes during the period	Balance at the end of the period	Performance Rights issued during the period and held at the end of the period
KMP					
Ordinary Shares					
Jingbin Wang (1)	-		-	-	1,000,000
Dermot Ryan	2,415,000	-	3,508,474	5,923,474	5,000,000
Stephen Stone	9,500,000	-	(712,500)	8,787,500	750,000
Terry Wheeler (2)	-	-	20,832,639	20,832,639	-
Anna Mao (3)	318,182	-	(318,182)	-	-
William Robertson (4)	2,137,794	-	(2,137,794)	-	1,250,000
Sam Middlemas (5)	-	-	263,500	263,500	1,000,000
Total	**14,370,976**	**-**	**21,436,137**	**35,807,113**	**9,000,000**

2016	Balance at the start of the period	Received during the period as compensation	Other changes during the period	Balance at the end of the period	Performance Rights issued during the period and held at the end of the period
Anna Mao	-	318,182	-	318,182	-
Dermot Ryan	2,415,000	-	-	2,415,000	-
William Robertson	1,874,521	227,273	36,000	2,137,794	-
Susan Hunter (6)	-	-	-	-	-
Stephen Stone	-	-	9,500,000	9,500,000	-
Total	**4,289,521**	**545,455**	**9,536,000**	**14,370,976**	**-**

(1) Appointed 12 October 2016
(2) Appointed 2 December 2016
(3) Resigned 12 October 2016
(4) Resigned 2 December 2016
(5) Appointed 15 July 2016
(6) Resigned on 15 July 2016

Loans to KMP

There are no loans made to KMP as at 30 June 2017, nor were any made during the reporting period.

C. Service Agreements

Mr Ryan commenced as a Non-Executive Director on 8th October 2012, and on 26th June 2013 was appointed Executive Director and Acting CEO. Mr Ryan is remunerated at normal commercial rates pursuant to the terms of an ongoing Consultancy Agreement with Xserv Pty Ltd to fulfil the duties of Director and Acting CEO. Fees attributable to Mr Ryan's services for the year ended 30 June 2017 were charged at the rate of $1,039 per day and totalled $227,860 (2016 - $148,577). The agreement may be terminated (other than for gross misconduct) by either party on three months' written notice.

REMUNERATION REPORT (AUDITED)

D. Share-based compensation
Incentive Option Scheme

Options, where appropriate, may be granted under the Alto Metals Limited Employee Share Option Plan (ESOP) adopted on the 5th of October 2012. Options are granted under the plan for no consideration on terms and conditions considered appropriate by the Board at the time of issue. Options are granted for up to a five year period. Options granted under the plan carry no dividend or voting rights.

The ability for the employee to exercise the options is restricted in accordance with the terms and conditions detailed in the ESOP. Each option will automatically lapse if not exercised within five years of the date of issue. The exercise period may also be affected by other events as detailed in the terms and conditions in the ESOP.

The options vest as specified when the options are issued. No options have been issued under the ESOP in the current period.

Director and Key Management Personnel Options

There were no options issued to Directors and Key Management Personnel during the 2017 financial period.

Performance Rights

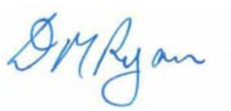
The Company issued 10,750,000 performance rights to Directors and employees on 9 December 2016 following approval at the Annual General Meeting of shareholders on 30 November 2016. 9,000,000 of these rights were issued to KMP. The Performance rights were issued in four tranches with the following performance conditions and expiry dates:

Class	Performance Rights granted to KMP	Expiry Date	Performance Condition
A	2,250,000	9 December 2017	the Company's announcing to the ASX of an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) of at least 500,000 oz Au of at least 1.5g/t
B	2,250,000	9 December 2018	the Company's announcing to the ASX of an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) of at least 1,000,000 oz Au of at least 1.5g/t
C	2,250,000	9 June 2019	the Company's announcing to the ASX of a 20,000 oz Au sold
D	2,250,000	9 December 2019	the Company's announcing to the ASX 50,000 oz Au sold
TOTAL	9,000,000		

End of Audited Remuneration Report

Auditor's Independence Declaration
The lead auditor's independence declaration for the period ended 30 June 2017 has been received and can be found on the following page.

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



Dermot Ryan
Executive Director
Dated this 27th day of September 2017

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Auditor's Independence Declaration to the Directors of Alto Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Alto Metals Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M P Hingeley
Partner - Audit & Assurance

Perth, 27 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $	2016 $
Other Income	2	35,172	312,641
Accounting and Audit Fees		(33,358)	(31,920)
Share Registry and Listing Fees		(38,373)	(33,598)
Employee Benefits Expense		(299,856)	(40,765)
Corporate and Consulting expense		(117,163)	(233,750)
Computers and Software		(29,830)	(13,833)
Depreciation	3	(34,083)	(36,089)
Insurance		(15,524)	(14,660)
Investor Relations		(65,253)	(46,517)
Legal Fees		(9,743)	(15,650)
Office Rental and Occupation Expenses	3	(34,978)	(30,625)
Travel and Accommodation		(36,200)	(15,937)
Impairment of AFS Financial Asset	10	-	(42,500)
Share Based payments	19	(100,064)	-
Impairment of Exploration and Evaluation Expenses	3	(450,526)	(1,942,656)
Other Expenses		(41,684)	(50,432)
Loss before income tax		**(1,271,463)**	**(2,236,291)**
Income tax (expense) / benefit	4	(210,979)	314,496
Loss from operations		**(1,482,442)**	**(1,921,795)**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Transfer to profit or loss on disposal of AFS financial assets		-	(294,286)
Revaluation of financial asset	16	(523,716)	662,858
Total comprehensive income / (loss) for the period		**(523,716)**	**388,572**
Total comprehensive loss attributable to members of the parent entity		**(2,006,158)**	**(1,533,223)**
Overall Operations			
Basic loss per share (cents per share)	7	(1.0)	(2.4)
Diluted loss per share (cents per share)	7	(1.0)	(2.4)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2017 $	Restated 2016 $
Current Assets			
Cash and cash equivalents	8	928,446	1,122,691
Trade and other receivables	9	134,580	56,918
Available for sale financial assets	10	681,256	-
Total Current Assets		**1,744,282**	**1,179,609**
Non-Current Assets			
Available for sale financial assets	10	-	1,415,952
Plant and equipment	11	91,314	22,034
Intangible assets	12	39,770	8,269
Exploration and evaluation	13	6,360,816	4,816,377
Total Non-Current Assets		**6,491,900**	**6,262,632**
TOTAL ASSETS		**8,236,182**	**7,442,241**
Current Liabilities			
Trade and other payables	14	352,246	324,473
Total Current Liabilities		**352,246**	**324,473**
TOTAL LIABILITIES		**352,246**	**324,473**
NET ASSETS		**7,883,936**	**7,117,768**
Equity			
Issued capital	15	18,680,470	16,008,208
Reserves	16	257,671	681,323
Accumulated losses		(11,054,205)	(9,571,763)
TOTAL EQUITY		**7,883,936**	**7,117,768**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	Notes	Issued Capital	Reserves	Restated Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2015		**11,044,157**	**292,751**	**(7,649,968)**	**3,686,940**
Loss attributable to members of the entity for the period		-	-	(1,921,795)	(1,921,795)
Other comprehensive income, net of tax	16	-	388,572	-	388,572
Total comprehensive loss for the period		**-**	**388,572**	**(1,921,795)**	**(1,533,223)**
Transaction with owners, directly in equity					
Shares issued during the period		4,981,010	-	-	4,981,010
Share issue transaction costs		(16,959)	-	-	(16,959)
Share based payments	16	-	-	-	-
Balance at 30 June 2016		**16,008,208**	**681,323**	**(9,571,763)**	**7,117,768**

	Notes	Issued Capital	Reserves	Accumulated Losses	Total
		$	$	$	$
Balance at 1 July 2016		**16,008,208**	**681,323**	**(9,571,763)**	**7,117,768**
Loss attributable to members of the entity for the period					
Revaluation of AFS Assets	16	-	(523,716)	-	(523,716)
Other comprehensive income, net of tax		-	-	(1,482,442)	(1,482,442)
Total comprehensive loss for the period		**-**	**(523,716)**	**(1,482,442)**	**(2,006,158)**
Transaction with owners, directly in equity					
Shares issued during the period		2,698,000	-	-	2,698,000
Share issue transaction costs		(25,738)	-	-	(25,738)
Share based payments	16	-	100,064	-	100,064
Balance at 30 June 2017		**18,680,470**	**257,671**	**(11,054,205)**	**7,883,936**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

	Notes	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		35,172	17,808
Payments to suppliers and employees		(796,637)	(553,912)
Net cash used in operating activities	**17a**	**(761,465)**	**(536,104)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets		-	(255,734)
Proceeds from sale of available for sale asset		-	425,314
Purchase of plant and equipment		(135,149)	-
Payments for exploration and evaluation expenditure		(1,969,893)	(602,005)
Net cash used in investing activities		**(2,105,042)**	**(432,425)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares during the period		2,697,997	1,141,010
Costs associated with shares issued during the period		(25,735)	(16,959)
Net cash provided by financing activities		**2,672,262**	**1,124,051**
Net increase / (decrease) in cash and cash equivalents held		(194,245)	155,522
Cash and cash equivalents at beginning of the period		1,122,691	965,197
Cash acquired from subsidiary purchased		-	1,972
Cash and cash equivalents at 30 June	**8**	**928,446**	**1,122,691**

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of Alto Metals Limited ("the Company") and controlled entities ("the Consolidated Group" or "the Group"). Alto Metals Limited is a listed public company, incorporated and domiciled in Australia. The financial information is presented in Australian dollars.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Alto Metals Limited is a for-profit entity for the purpose of preparing the financial statements.

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

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

The financial statements were authorised for issue by the Directors. The Directors have the power to amend and reissue the financial statements.

Going Concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of their liabilities in the normal course of business.

As disclosed in the financial report, the Group recorded an operating loss of $1,482,442 (2016: $1,921,795) and a cash outflow from operating activities of $761,465 (2016: $536,104) for the year ended 30 June 2017 and at reporting date, had a net current asset balance of $1,392,035 (2016: $855,136).

The Board considers that the Company is a going concern and recognises that selling some of the investments or farming out some of its tenements or additional funding will be required to ensure that the Company can continue to fund its operations for the 12 month period from the date of this financial report.

The Directors believe it is appropriate to prepare the financial report on a going concern basis because:

- The Company has the ability to issue additional equity under the Corporations Act 2001 and ASX Listing Rule 7.1 or otherwise and has had historical success in doing so;
- The Company's commitment to exploration expenditure is discretionary and other expenditure requirements are minimal; and
- The Company owns $681,256 in available-for-sale financial assets (see note 10) and is able to discretionarily liquidate those share for cash in order to meet its obligations. These are shares held in listed companies on the ASX.

Accordingly, the Directors believe that the Company will have sufficient resources to meet its debts and obligations as they fall due to enable it to continue as a going concern for the foreseeable future and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

(a) Principles of Consolidation

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(b) Income Tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

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

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

Current and deferred income tax expense (income) is charged or credited directly 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(c) Property, Plant, and Equipment

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

Plant and equipment

Plant and equipment are measured on the historical cost basis.

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	25%
Computers and software	25-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

(d) Intangible assets

Recognition of intangible assets

Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement

All intangible assets, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

The following useful lives are applied:

software: 4 years

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets. Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) Exploration and Evaluation Expenditure

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

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

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

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

The Company receives R&D grants from the Australian Taxation Office. Where an R&D rebate can be directly attributable to an area of interest the R&D rebate is applied against the area of interest. For any amounts that cannot be directly attributable to an existing area of interest the amount will be recognised as grant income in the statement of comprehensive income.

(f) Leases

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

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

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

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

(g) Financial Instruments

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

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

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

Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(g) Financial Instruments (continued)

Available-for-sale "AFS" financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's AFS financial assets include listed securities.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for permanent impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the profit or loss unless they are designated as hedges.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(h) Impairment of Non-Financial Assets

At each the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(i) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The Company operates an Incentive Option Scheme share-based compensation plan. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the statement of comprehensive income. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(j) Provisions

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

(k) Cash and cash equivalents

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

(l) Revenue and Other Income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Rental income is recognised on an accrual basis.

Management fees are recognised on portion of completion basis.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Trade and Other Payables

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

(n) Goods and Services Tax (GST)

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(o) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- *AFS financial assets reserves* – comprises gains and losses relating to these types of financial instruments Retained earnings include all current and prior period retained profits.
- *Performance rights reserves* – comprises expenses recorded for share based payments.

(p) Earnings Per Share

i. Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

ii. Diluted earnings per share

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

(q) Performance rights

The Company measures the value of its performance rights using the listed price of the Company's shares at the date of granting of the rights, as the rights convert to ordinary shares at a ratio of 1:1. The Company then determines the probability that performance conditions attaching to the rights will be met and the rights will convert. Where the probability is greater than 50%, the full value is assigned to the rights. Where the probability is less than 50%, no value is assigned to the rights. The value of the rights are then amortised into expense evenly over the service period to the date of expiry, resulting in a *share based payment* expense in the Statement of Profit or Loss and Other Comprehensive Income and accumulating in the *Performance rights reserves* in *Equity* on the Statement of Financial Position.

(r) Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

No impairment has been recorded for the period, except for in relation to exploration and evaluation expenditure

Key Estimates – Performance Share Probability

In the fiscal 2016 reporting period, the Company completed an asset acquisition of the Sandstone Project. As part of the Share Sale Agreement, the Company issued 25m Performance Shares to the vendors, which will convert on a one-for-one basis into fully paid ordinary shares upon the Group confirming a combined inferred and /or indicated mineral resource and/or reserve of at least 500,000oz gold in aggregate, on one or more of the Sandstone Tenements. Management and the Board have assessed the probability of the Group meeting these triggers as greater than 50% and accordingly the full value of the performance shares were booked.

Key Estimates – Performance Rights Probability

In the fiscal 2017 report period, the Company issued 10,750,000 (2016: nil) performance rights to its key management personnel and employees. The rights convert on a one-to-one basis into fully paid ordinary shares as specified by the performance conditions outlined in note 15. Where management has estimated that the performance condition has a greater than 50% probability of being achieved, the full value of the relevant performance shares has been recorded.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Key Judgments – Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $6,360,816 (2016: 4,816,377). An impairment of $450,526 was recognised during the period ended 30 June 2017 (2016: 1,942,656).

(s) New and amended standards adopted by the Group in this financial report

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reported for the current or prior periods.

(t) Impact of standards issued but not yet applied by the Group

There are a number of new standards, amendments to standards and interpretations issued by the AASB which are applicable to future reporting periods. The Group has not early adopted any of these standards or interpretations. The new or revised accounting standard that is currently issued for future reporting periods and relevant to the Group is as follows:

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after…)	Likely impact on initial application
AASB 9 *Financial Instruments*	AASB 139 Financial Instruments: Recognition and Measurement	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows. b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: – the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI) – the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: – classification and measurement of financial liabilities; and – derecognition requirements for financial assets and liabilities. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.	1 January 2018	*The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.*

NOTE 2: OTHER INCOME	Notes	2017 $	2016 $
Interest received from other parties		35,172	17,808
Gain on disposal of AFS assets		-	294,833
Total Other Income		35,172	312,641

NOTE 3: LOSS FOR THE PERIOD	Notes	2017 $	2016 $
(a) Expenses			
Depreciation of plant and equipment		34,083	36,089
Office rental and occupation expenses		34,978	30,625
Defined benefit superannuation expense		-	3,470
(b) Significant Revenues and Expenses			
The following significant revenue and expense items are relevant in explaining the financial performance:			
Exploration and Evaluation expenditure written off	13	450,526	1,942,656

NOTE 4: INCOME TAX	Notes	2017 $	2016 $
(a) Income tax (benefit)/expense			
Current tax		-	-
Deferred tax		210,979	(314,496)
		210,979	**(314,496)**
Reconciliation of income tax expense to prima facie tax payable			
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Prima facie tax on operating loss at 27.5% (2016: 30%)		(349,652)	(670,887)
Add / (Less) tax effect of:			
Other non-deductible/ (assessable) items		29,883	6,738
Deferred tax asset not brought to account		530,748	349,653
Income tax benefit attributable to operating loss		**210,979**	**(314,496)**
The applicable weighted average effective tax rates are as follows:		nil%	nil%
(b) Deferred tax assets			
Tax Losses		653,257	391,866
Provisions and Accrual		5,087	6,900
Other - Equity		12,712	26,521
		671,056	425,287
Set-off deferred tax liabilities	4(c)	(671,056)	(425,287)
Net deferred tax assets		-	-
(c) Deferred tax liabilities			
Exploration expenditure		(593,323)	(110,281)
Financial asset		(77,309)	(314,496)
Other – P&L		(424)	(510)
		(671,056)	(425,287)
Set-off deferred tax assets		671,056	425,287
Net deferred tax liabilities		-	-

NOTE 4: INCOME TAX (continued)

(d) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	1,367,881	1,904,942
Temporary differences for which no deferred tax asset has been recognised – Equity	8,938	34,500

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

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- the Company continues to comply with conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel (KMP) compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid to each member of the Company's KMP for the period ended 30 June 2017.

The totals of remuneration paid to KMP during the period are as follows:

	2017 $	2016 $
Short-term employee benefits	435,974	289,340
Post-employment benefits	3,470	3,470
Share based payments	83,774	-
Total	523,218	292,810

NOTE 6: AUDITORS' REMUNERATION	2017 $	2016 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial report by Grant Thornton Audit Pty Ltd	27,020	27,020
Remuneration of the auditor, or associated entities, of the parent entity for non-audit services:		
- Tax compliance services	5,150	5,150

NOTE 7: LOSS PER SHARE	2017 $	2016 $
(a) Reconciliation of earnings to loss		
Earnings used in the calculation of basic EPS	(1,482,442)	(1,921,795)
(b) Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	147,694,882	79,019,962
Basic / Diluted loss per share (cents per share)	(1.0)	(2.4)

As at 30 June 2017, the Company did not have any options outstanding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 8: CASH AND CASH EQUIVALENTS	2017 $	2016 $
Cash at bank	928,446	1,122,691
	928,446	1,122,691
Reconciliation of cash		
Cash at the end of the financial period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	928,446	1,122,691

Cash at bank earns an effective interest rate of 1.65%.

Included in cash and cash equivalents is an amount of $nil (2016: nil) that is restricted cash in relation to a security deposit.

NOTE 9: TRADE AND OTHER RECEIVABLES	2017 $	2016 $
CURRENT		
GST receivable	83,519	22,188
Trade and other receivables	46,601	29,889
Interest receivable	620	1,098
Prepayments	3,840	3,743
	134,580	56,918

There are no balances within trade and other receivables that contain assets that are impaired and are past due. The trade receivables relate to reimbursed expenditures receivable and interest receivable. It is expected these balances will be received when due. Refer to note 21 related party transactions for receivable balances with related parties.

NOTE 10: AVAILABLE-FOR-SALE FINANCIAL ASSETS	2017 $	2016 $
Current	681,256	-
Non-Current	-	1,415,952
	681,256	1,415,952

There was a re-classification of a portion of AFS financial assets from non-current assets to current assets on 30 June 2017 when the Company made a decision to sell a portion of the assets within the next 12 months. Those shares were sold post year end.

Movement for the period:		
Opening balance	1,415,952	502,814
Additions	-	383,598
Disposals	-	(425,314)
Revaluations	(734,696)	997,354
Impairment	-	(42,500)
	681,256	1,415,952

Available-for-sale financial assets are shares held in an ASX listed entities. Fair value as per note 23 (i) is determined by reference to the quoted market price at reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 June 2017

NOTE 11: PLANT AND EQUIPMENT

	2017 $	2016 $
NON-CURRENT		
Plant and equipment – cost	120,610	110,761
Accumulated depreciation	(117,004)	(88,727)
	3,606	22,034
Property – cost	87,708	-
Accumulated depreciation	-	-
	87,708	-
Total property, plant and equipment	91,314	22,034
a) Reconciliation of Carrying Amounts		
Plant and Equipment		
Opening balance	22,034	48,712
- Additions	9,850	-
- Depreciation expense	(28,278)	(26,678)
Carrying amount at the end of the period	3,606	22,034
Land and Buildings		
Opening balance	-	-
- Additions	87,708	-
- Depreciation expense	-	-
Carrying amount at the end of the period	87,708	-
Totals		
Opening balance	22,034	48,712
- Additions	97,558	-
- Depreciation expense	(28,278)	(26,678)
Carrying amount at the end of period	91,314	22,034

NOTE 12: INTANGIBLE ASSETS

	2017 $	2016 $
NON-CURRENT		
Software – cost	75,137	37,545
Accumulated amortisation	(35,367)	(29,561)
	39,770	7,984
Formation Expenses	-	285
Total	39,770	8,269

a) Reconciliation of Carrying Amounts		
Opening balance	7,984	17,395
- Additions	37,592	-
- Disposals	-	-
- Amortisation expense	(5,806)	(9,411)
Carrying amount at the end of the period	39,770	7,984

NOTE 13: EXPLORATION AND EVALUATION

	Note	2017 $	2016 $
Exploration and evaluation phases – at cost		6,360,816	4,816,377
(a) Exploration and evaluation			
Opening balance		4,816,377	2,074,419
Exploration expenditure		1,994,965	481,981
Purchase of Sandstone exploration properties	18	-	4,202,633
Impairment of exploration and evaluation expenses		(450,526)	(1,942,656)
Closing balance		6,360,816	4,816,377

Impairment losses have been recognised in relation to a number of projects given drilling and exploration expenditure has not resulted in a discovery of significance. The Directors believe that given the continued difficult market conditions, it is prudent to impair the carrying values of a number of projects.

The Directors' assessment of the carrying amount for the Group's exploration properties was after consideration of prevailing market conditions; previous expenditure for exploration work carried out on the tenements; and the potential for mineralisation based on the Group's and independent geological reports. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole or part of the Group's interests in these exploration properties for an amount at least equal to the carrying value. There may exist on the Group's exploration properties, areas subject to claim under Native Title or containing sacred sites or sites of significance to Aboriginal people. As a result, the Group's exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

NOTE 14: TRADE AND OTHER PAYABLES

	Note	2017 $	2016 $
CURRENT – unsecured liabilities			
Trade and other payables		291,748	101,209
Accrued expenses		60,498	23,264
Deferred payment on purchase of Sandstone Exploration Pty Ltd	18	-	200,000
		352,246	324,473

All amounts in trade and other payables are short term and the carrying values are considered a reasonable approximation of fair value. Refer to note 21 related party transactions for payable balances with related parties.

NOTE 15: ISSUED CAPITAL

	Note	2017 $	2016 $
151,882,819 (2016: 115,695,812) fully paid ordinary shares at no par value		16,505,470	13,833,208
25,000,000 (2016: 25,000,000) performance shares		2,175,000	2,175,000
		18,680,470	16,008,208

Fully paid ordinary shares have no par value, carry one vote per share and carry the right to dividends.

NOTE 15: ISSUED CAPITAL (continued)

	Note	2017 $	2016 $
(a) Ordinary shares			
At the beginning of the reporting period		13,833,208	11,044,157
Ordinary shares issued during the period			
28,779,603 on 25 July 2016 at $0.059 Share Purchase Plan		1,697,997	
7,407,404 on 27 October 2016 at $0.135 – Sophisticated Investors		1,000,000	
545,455 on 9 December 2015 at $0.022 for settlement of consultancy fees		-	12,000
19,339,160 on 2 June 2016 at $0.059 – Sophisticated Investors		-	1,141,010
Costs associated with equity raisings		(25,735)	(16,959)
19,000,000 on 24 June 2016 purchase Sandstone at $0.087 (1)		-	1,653,000
At reporting date		16,505,470	13,833,208

	2017 No.	2016 No.
At the beginning of the reporting period	115,695,812	76,811,197
Ordinary shares issued during the period:		
28,779,603 on 25 July 2016 at $0.059 Share Purchase Plan	28,779,603	-
7,407,404 on 27 October 2016 at $0.135 – Placement to Sophisticated Investors	7,407,404	-
545,455 on 9 December 2015 at $0.022 for settlement of third party consultancy fees	-	545,455
19,339,160 on 2 June 2016 at $0.059 – Placement to Sophisticated Investors	-	19,339,160
19,000,000 on 24 June 2016 to Purchase Sandstone Project at $0.087 (1)	-	19,000,000
At reporting date	151,882,819	115,695,812

	Note	2017 $	2016 $
(b) Performance shares			
At the beginning of the reporting period		2,175,000	-
Performance shares issued during the period			
25,000,000 Performance Shares at $0.087(1)		-	2,175,000
At reporting date		2,175,000	2,175,000

	2017 No.	2016 No.
At the beginning of the reporting period	25,000,000	-
Performance shares issued during the period:		
25,000,000 Performance Shares at $0.087(1)	-	25,000,000
At reporting date	25,000,000	25,000,000

(1) On 24 June 2016, the Company finalised the purchase of the investment in Sandstone Exploration Pty Ltd (“the Entity”) through the issue of 19,000,000 Fully Paid Ordinary Shares and 25,000,000 Performance Shares. These Ordinary Shares and the Performance Shares (refer (b) below for additional information and conversion conditions), were valued at the Share Price of 8.7 cents per share on the date the Company gained control of the Entity in accordance with the Accounting Standards.

These Performance Shares will convert into 25,000,000 fully paid ordinary shares once an announcement of an Inferred JORC 2012 Mineral Resource is made of a tonnage and grade to establish contained metal of at least 500,000 Ounces of Gold (or other metal equivalent) on the Sandstone tenements any time prior to 23 June 2021.

(c) Performance rights on issue

	Note	2017 No.	2016 No.
Performance rights			
At the beginning of the reporting period		-	-
Performance rights issued during the period			
10,750,000 Performance Shares at $0.087[(1)]		10,750,00	-
At reporting date		10,750,00	-

(1) During the financial year, the Company issued 10,750,000 (2016: nil) in performance rights to directors and employees as follows:

Class	Performance Rights granted to Directors and Staff	Expiry Date	Performance Condition
A	2,687,500	9 December 2017	the Company's announcing to the ASX of an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) of at least 500,000 oz Au of at least 1.5g/t
B	2,687,500	9 December 2018	the Company's announcing to the ASX of an Inferred Mineral Resource (as defined by a Competent Person in accordance with JORC Code 2012) of at least 1,000,000 oz Au of at least 1.5g/t
C	2,687,500	9 June 2019	the Company's announcing to the ASX of a 20,000 oz Au sold
D	2,687,500	9 December 2019	the Company's announcing to the ASX 50,000 oz Au sold

The issuance of these performance rights resulted in a share based payment expense recorded in the Statement of Profit or Loss and Other Comprehensive Income. See Note 19.

(d) Capital Management

The Directors' objectives when managing capital are to ensure that the Company can fund its operations and continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. The Company has no debt therefore has no externally imposed capital restrictions.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2017 is as follows:

	2017 $	2016 $
Cash and cash equivalents	928,446	1,122,691
Trade and other receivables	134,580	56,918
Trade and other payables	(352,246)	(324,473)
Working capital position	710,780	855,136

NOTE 16: RESERVES

AFS Financial Asset Reserve	157,607	681,323
Performance Share Reserve	100,064	-
	257,671	681,323

(a) Movement in Reserves

AFS Financial Asset Reserve

At the beginning of the reporting period	681,323	292,751
Add revaluation increments, net of tax	(523,716)	682,858
Less disposal of AFS shares transferred to profit or loss	-	(294,286)
At reporting date	157,607	681,323

Performance Rights Reserve

At the beginning of the reporting period	-	-
Add performance rights issued	100,064	-
At reporting date	100,064	-

NOTE 17: CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations with loss after Income Tax

Loss after income tax	(1,482,442)	(1,921,795)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss from ordinary activities:		
Gain on disposal of AFS asset	-	(252,333)
Impairment of AFS asset	-	-
Tax expense	210,979	(314,496)
Depreciation	34,083	36,089
Share based payment	100,064	-
Impairment of Exploration and Evaluation	450,526	1,942,656
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase) / Decrease in receivables	(51,768)	(5,517)
(Increase) / Decrease in other assets	-	6,610
Increase / (Decrease) in payables	(22,907)	(27,318)
Cash flow used in operations	(761,465)	(536,104)

(b) Credit Standby Facilities

The Group had no credit standby facilities as at 30 June 2017.

(c) Non-Cash Financing and Investing Activities

Share Issues – no movements for the year ended 30 June 2017

For the period ended 30 June 2016

On 9 December 2015, 545,455 ordinary shares were issued at $0.022 each for the settlement of third party consultancy fees.

On 24 June 2016, 19,000,000 ordinary shares and 25,000,000 Performance Shares were issued for $0.087 each for settlement of the purchase of Sandstone Exploration Pty Ltd.

NOTE 18: CONTROLLED ENTITIES

Details of Controlled Entities	Country of ncorporation	Class of Shares	Percentage Owned % 2017	2016
Cue Metals Pty Ltd (1)	Australia	Ordinary	100	100
Sandstone Exploration Pty Ltd (2)	Australia	Ordinary	100	100

1. Cue Metals Pty Ltd was incorporated on 14 September 2015 as a wholly owned subsidiary of Alto Metals Limited.
2. Alto Metals Limited acquired 100% of the issued capital of Sandstone Exploration Pty Ltd ("the Entity") following shareholder approval on 24 June 2016.

NOTE 19 SHARE-BASED PAYMENTS

A share based payment expense of $100,064 (2016: nil) was recorded in the period based on management's estimate of the value of the performance rights issued in fiscal 2017 as outlined below and detailed further in note 15.

Despite that share based payments occurred in 2016 as detailed below, there was no share based payment expense recorded given that the transactions met the criteria of capitalised exploration and evaluation.

The following share based payments took place during the 2017 financial year:

On 9 December 2016, 10,750,000 performance rights were issued to key management personnel and employees of the company. Refer Note 15.

The following share based payments

On 9 December 2015, 545,455 ordinary shares were issued at $0.022 each for the settlement of third party consultancy fees.

On 24 June 2016, 19,000,000 ordinary shares and 25,000,000 Performance Shares were issued for $0.087 each for settlement of the purchase of Sandstone Exploration Pty Ltd. Refer Note 15.

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years, other than:

Subsequent to balance date the Company has sold part of the available for sale financial assets realising a total of $632,156 compared to the carrying value of those available for sale financial assets of $613,756 at the end of the financial year. This sale will be reflected in the 2017/18 financial year accounts.

NOTE 21: RELATED PARTY TRANSACTIONS

	2017 $	2016 $
XServ Pty Ltd		
Mr Ryan is a Director and Shareholder of Xserv Pty Ltd. Mr Ryan's company provides geological consulting services to Alto Metals Limited as Managing Director. Included in the payments to Xserv Pty Ltd are payments for field equipment and vehicles at commercial rates equating to $21,246 (2016 - $Nil) in the current financial year.	249,106	148,577
As at 30 June 2017 $22,966 (2016: $Nil) was payable to Xserv Pty Ltd		
Mega Capital Resources Ltd		
Ms Mao was a sole director of Mega Capital Resources Ltd. Mega Capital Resources Ltd provides consulting services to Alto Metals Limited.		
Consulting Services	14,000	66,000
As at 30 June 2017, $Nil (2016: $28,000) was payable to Mega Capital Resources Ltd.		
Enterprise Metals Ltd		
Enterprise Metals Ltd is a significant shareholder in the Company and provides office space in which the Company operates as well as accounting and office administration services including telephone, electricity and office equipment.		
Reimbursement of shared costs of staff and office premises charged to Enterprise Metals Ltd.	92,993	-
Rental of office space, purchase of plant and equipment and office administration expenses charged to Alto Metals Ltd.	61,289	44,256
Total	154,282	44,256

As at 30 June 2017 $9,474 (2016: $11,939) was receivable and $3,811 (2016: $12,546) was payable to Enterprise Metals Ltd.

At reporting date the Company holds 2,500,000 ordinary shares in Enterprise Metals Limited at a fair value of $37,500 (2016 - $35,000).

NOTE 21: RELATED PARTY TRANSACTIONS (Continued)

	2017 $	2016 $
Value Adding Resources Pty Ltd		
Mr Robertson is a Director and Shareholder of Value Adding Resources Pty Ltd. Mr Robertson's company provides director's fee and geophysical consulting services to Alto Metals Limited.	10,000	40,000

As at 30 June 2017 $nil (2016: $nil) was payable to Value Adding Resources Pty Ltd

NOTE 22: CAPITAL AND LEASING COMMITMENTS

Expenditure commitments

The Group is planning exploration work on its exploration tenements in order to retain the rights of tenure. These obligations will be met, subject to availability of funds and can be reduced by selective relinquishment of exploration tenure or application for expenditure exemptions. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is very difficult to forecast the nature and amount of future expenditure. The Group's planned exploration and expected commitments, subject to available funds – refer note 1, for the next year are as follows:

Australian tenements	385,320	404,320

In addition, under the acquisition agreement, Sandstone has granted the Vendors of the Company a 2% gross revenue royalty on all minerals produced from the Tenements and the right to fossick down to 2m below surface for all minerals and metals including gold nuggets. At the date of this report this has not been recognised given the timing and amount cannot be determined.

The Group also agreed to incur a minimum $300,000 per annum on exploration expenditure on the Sandstone tenements in the first two years following completion, of which $264,320 (2016 - $271,320) is included in the expenditure commitments above for Australian tenements. The expenditure will be subject to future drilling success.

NOTE 22: CAPITAL AND LEASING COMMITMENTS (continued)

Operating lease commitments:

Operating lease commitments contracted for Rental of the Company's Registered Office

Amounts payable:

- not later than 12 months	74,724	24,312
- between 12 months and 5 years	157,488	-
	232,212	24,312

NOTE 23: FINANCIAL INSTRUMENT

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, and accounts receivable and payable. The main purpose of non-derivative financial instruments is to raise finance for Group operations. The Group does not speculate in the trading of derivative instruments.

A summary of the Group's financial assets and liabilities is shown below using level inputs measured at fair value or a recurring basis.

2017	Floating Interest Rate	Fixed Int maturing in 1 year or less	Fixed Int maturing over 1 to 5 years	Non-interest bearing	Total
	$	$	$	$	$
Financial Assets					
Cash and cash equivalents	928,446	-	-	-	928,446
Loans and receivables	-	-	-	134,580	134,580
Available for sale financial assets	-	-	-	681,256	681,256
Total Financial Assets	928,446	-	-	815,836	1,744,282
Weighted ave int rate – cash	1.65%				
Financial Liabilities at cost					
Trade and other payables	-	-	-	(352,246)	(352,246)
Total Financial Liabilities	-	-	-	(352,246)	(352,246)
Net financial assets	928,446	-	-	463,590	1,392,036

2016	Floating Interest Rate	Fixed Int maturing in 1 year or less	Fixed Int maturing over 1 to 5 years	Non-interest bearing	Total
	$	$	$	$	$
Financial Assets					
Cash and cash equivalents	1,122,691	-	-	-	1,122,691
Loans and receivables	-	-	-	56,918	56,918
Total Financial Assets	1,122,691	-	-	56,918	1,179,609
Weighted ave int rate – cash	2.00%				
Financial Liabilities at cost					
Trade and other payables	-	-	-	(124,173)	(124,173)
Total Financial Liabilities	-	-	-	(124,173)	(124,173)
Net financial assets	1,122,691	-	-	(67,255)	1,055,436

NOTE 23: FINANCIAL INSTRUMENTS (Continued)

(i) Fair value measurement hierarchy

AASB 13 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;
(b) Level 2 – a valuation technique is used using inputs other than quoted priced within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
(c) Level 3 – a valuation technique is sued using inputs that are not based on observable market data (unobservable inputs).

The table below classifies financial instruments recognised in the consolidated Statement of Financial Position according to the fair value measurement hierarchy stipulated in AASB 13 Financial Instruments: Disclosures.

	Level 1	Level 2	Level 3	Total
Year ended 30 June 2017	**$**	**$**	**$**	**$**
Financial assets				
Available for sale financial assets	681,256	-	-	**681,256**
Year ended 30 June 2016				
Financial assets				
Available for sale financial assets	1,415,952	-	-	**1,415,952**

Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments traded in active markets is based upon quoted market prices at the end of the reporting period.
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes a number of assumptions based upon observable market data existing at each reporting period.
The Group does not have any level 3 assets or liabilities.

Specific Financial Risk Exposures and Management

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

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.
The Group does not have any material credit risk exposure to any single receivable or Company of receivables under financial instruments entered into by the Group.

Credit risk exposures

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

There are no other material amounts of collateral held as security at 30 June 2017. Trade and other receivables are expected to be settled within 30 days.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	2017	2016
		$	**$**
Cash and cash equivalents			
- AA Rated	8	928,446	1,122,691

NOTE 23: FINANCIAL INSTRUMENTS (Continued)

b. Liquidity risk

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

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

c. Market risk

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

i. *Interest rate risk*

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

Interest rate risk is managed by closely monitoring the interest rates at various financial institutions. The Group has no debt and as such the interest rate risk is limited to the Group's investments in term deposits and other interest bearing investments.

Sensitivity Analysis

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

	Profit	**Equity**
Period ended 30 June 2017	**$**	**$**
+/-1% in interest rates	+/- 9,284	+/- 9,284
Period ended 30 June 2016	**$**	**$**
+/-1% in interest rates	+/- 11,227	+/- 11,227

d. Price risk on AFS assets

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available for sale.

Listed investments have been valued at the quoted market bid price at the end of reporting period, adjusted for transaction costs expected to be incurred. At 30 June 2017, the effect on profit and equity as a result of changes in listed equity prices, with all other variables remaining constant would be as follows:

		Listed equity price -10%		Listed equity price +10%	
	Carrying amount	Net loss	Equity	Net loss	Equity
30 June 2017	681,256	(68,125)	(68,125)	68,125	68,125
30 June 2016	1,415,952	(141,595)	(141,595)	141,595	141,595

NOTE 23: FINANCIAL INSTRUMENTS (Continued)

e. **Net Fair Values**

	2017 Carrying Amount $	2017 Net Fair Value $	2016 Carrying Amount $	2016 Net Fair Value $
Financial Assets				
Cash and cash equivalents	928,446	928,446	1,122,691	1,122,691
Loans and receivables	134,580	134,580	56,918	56,918
Available for sale financial assets	681,256	681,256	1,415,952	1,415,952
Total Financial Assets	1,744,282	1,744,282	2,595,561	2,595,561
Financial Liabilities at amortised cost				
Trade and other payables	352,246	352,246	324,473	324,473
Total Financial Liabilities	352,246	352,246	324,473	324,473

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.

NOTE 24: PARENT ENTITY DISCLOSURES

	2017 $	2016 $
(a) Financial Position of Alto Metals Limited		
CURRENT ASSETS		
Cash and cash equivalents	928,442	1,120,718
Trade and other receivables	134,580	56,445
Available for sale financial assets	681,256	-
TOTAL CURRENT ASSETS	1,744,278	1,177,163
NON-CURRENT ASSETS		
Available for sale financial assets	-	1,415,952
Plant and equipment	91,314	22,034
Intangible assets	39,770	7,984
Exploration and evaluation	-	367,602
Other financial assets	-	37,730
Other assets	6,364,273	3,261,863
TOTAL NON-CURRENT ASSETS	6,495,357	5,113,165
TOTAL ASSETS	8,239,635	6,290,328
CURRENT LIABILITIES		
Trade and other payables	352,247	124,474
TOTAL CURRENT LIABILITIES	352,247	124,474
TOTAL LIABILITIES	352,247	124,474
NET ASSETS	7,887,388	6,165,854
EQUITY		
Issued capital	18,680,470	14,973,620
Reserves	46,692	970,426
Accumulated losses	(10,839,774)	(9,778,192)
TOTAL EQUITY	7,887,388	6,165,854

NOTE 24: PARENT ENTITY DISCLOSURES (continued)

(b) Financial Performance of Alto Metals Limited

Loss for the year	(1,268,011)	(2,236,291)
Unrealised gain on revaluation of AFS asset	-	25,394
Total comprehensive loss	(1,268,011)	(2,210,897)

NOTE 25: CONTINGENT LIABILITIES

As at 30 June 2017 the Group has bank guarantees to the value of $26,366 (2016: $9,300) to secure a credit card facility and in 2016 a rental bond.

NOTE 26: OPERATING SEGMENTS

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments.

The Group remains focused on mineral exploration over areas of interest solely in Western Australia.

NOTE 27: COMPANY DETAILS

The registered office and principal place of business of the Company is:

Alto Metals Limited
Level 2, Suite 9
12-14 Thelma Street
WEST PERTH WA 6005

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 17 to 43, are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards; and
   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and
   (c) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the period ended on that date of the Company;
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
   (a) the financial records of the Company for the financial period have been properly maintained in accordance with s 286 of the *Corporations Act 2001*; and
   (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial period give a true and fair view; and
   (d) they have given the declarations required by Section 295A of the Corporations Act, 2001 for the financial period ended 30 June 2017.
3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dermot Ryan
Executive Director
Dated 27th September 2017, Perth WA

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Independent Auditor's Report to the Members of Alto Metals Limited

Report on the audit of the financial report

Opinion

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

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

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

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 “Going Concern” in the financial statements, which indicates that the Group incurred a net loss of $1,482,442 during the year ended 30 June 2017. As stated in Note 1, these events or conditions, along with other matters as set forth in the notes, indicate that a material uncertainty exists that may cast doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Assets – valuation Note 1(e) and Note 13	
At 30 June 2017, the carrying value of Exploration and Evaluation Assets was $6.4 million. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value. The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement. This area is a key audit matter due to the valuation of exploration and evaluation assets being a significant risk.	Our procedures included, amongst others: • obtaining the management prepared reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • reviewing management’s area of interest considerations against AASB 6; • conducting a detailed review of management’s assessment of trigger events prepared in accordance with AASB 6 including; – tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; – enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of managements’ budgeted expenditure; – understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; • assessing the accuracy of impairment recorded for the year as it pertained to exploration interests; and • reviewing the appropriateness of the related disclosures within the financial statements.

Performance rights – valuation **Note 1(q), Note 15(c) and Note 19**	
During the year ended 30 June 2017, the Group issued performance rights resulting in the recording of a share based payment expense of $0.1 million. The Group records the issuance of its performance rights in accordance with AASB 2 *Share based payments*, which, for the conditions underlying the issuance, requires management to determine a value of the transaction based on the probability that the conditions will be met. This area is a key audit matter given that management exercises its judgments and estimates in determining the probability that the relevant conditions will be met, which impacts the amounts recorded.	Our procedures included, amongst others: • reviewing the conditions of the performance rights and tracing the conditions to agreements signed by all parties and to related ASX announcements; • testing the mathematical accuracy of management's valuation • assessing management's estimates and judgments around the probabilities applied to each condition by discussing with employees of the Group that sit outside of the Group's finance department and obtaining further corroborating evidence through review of source documents; and • assessing the appropriateness of the related disclosures within the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 15 of the directors' report for the year ended 30 June 2017.

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

Responsibilities

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M P Hingeley
Partner - Audit & Assurance

Perth, 27 September 2017