

KAIROS

MINERALS

2016

ANNUAL REPORT





| | |
|---|-----------|
| ▶ Chairman's Letter - - - - - | 2 |
| ▶ Review of Operations - - - - - | 3 |
| ▶ Directors' Report - - - - - | 40 |
| ▶ Auditor's Independence Declaration - - - - - | 50 |
| ▶ Consolidated Statement of Profit or Loss and Other Comprehensive Income - - - - - | 51 |
| ▶ Consolidated Statement of Financial Position- - - - - | 52 |
| ▶ Consolidated Statement of Changes in Equity - - - - - | 53 |
| ▶ Consolidated Statement of Cash Flows - - - - - | 54 |
| ▶ Notes to the Consolidated Financial Statements - - - - - | 55 |
| ▶ Directors' Declaration - - - - - | 87 |
| ▶ Independent Audit Report - - - - - | 88 |
| ▶ Shareholder Information - - - - - | 90 |
| ▶ Corporate Directory - - - - - | 96 |



CONTENTS



CHAIRMAN'S LETTER

Dear Members,

It gives me great pleasure to present our new-look Company to you, and to articulate the key changes that have been made during the year – and why.

Industry uncertainties, caused by weak equity markets worldwide, persisted throughout much of last year. These uncertainties have been felt more acutely at the high-risk end of the spectrum (especially in the exploration sector), with many companies floundering and, in some cases, disappearing entirely.

Conditions have been exacerbated by weak political leadership in this country and a general misunderstanding of the Chinese "slow-down" to a planned growth level of approximately 7 per cent per annum (wouldn't Australia and the rest of the world like to have that problem?).

What should an innovative, aspiring mining house do under such circumstances?

The options are few – asset sales, staff reductions, hibernation and inactivity amongst them. This has been the route followed by many explorer/early development companies around the world.

But this is not the Kairos way!

Please excuse the sporting / military analogy here, but often the best form of defence is attack. In this instance, and at this time, there have been many good reasons to adopt this stance. To list of a few of them:

- ▶ Our assets have been hard won and are valuable;
- ▶ Selling them at the bottom of the market (even if possible) realises the worst price for them;
- ▶ On the contrary – buying low cost, high value assets at this time will pay dividends later;
- ▶ The industry is cyclical – it will not remain down for ever;
- ▶ On an upswing, the Company needs a high quality, dedicated technical and corporate team to hit the ground running – not a set of untested, new recruits; and

- ▶ It has been a great time to get out on the ground, acquire assets and prepare drilling targets for the inevitable market upswing utilising low-cost techniques – like geological mapping, geochemical sampling and interrogation of existing databases.

I'm sure many of you know and understand this philosophy. With your continued support we have been able to grow our asset base substantially over the past twelve months – despite numerous market obstacles. At the same time, we have been able to return a tight capital structure to the Company, ensuring that we are strongly leveraged to future growth and exploration success.

The successful acquisition of the Mt York Lithium-Gold Project, against stiff opposition, is testament to the strong corporate capabilities within the overall Kairos team. The outstanding work being carried out by the technical section of that team means that the year ahead is full of excitement and promise as we gear up to drill test many high priority gold and lithium targets. The first of these drill programs was just getting underway as I was finalising my contribution to this Annual Report.

The coming year promises to be a game-changing year for Kairos with funding already in place, increasing levels of exploration on the strong lithium and gold targets already defined by our skilled technical team and the opportunity to build a significant gold inventory as we build upon the initial JORC resources already in place at Mt York.

I thank you sincerely for your continued support and look forward to the coming year with great anticipation and excitement.

Ian Finch
Chairman

30th September 2016

REVIEW OF OPERATIONS

COMPANY OVERVIEW

During the year the Company expanded its West Australian exploration portfolio to include the exciting Mt York Lithium-Gold Project in the Pilbara region of WA, complementing the Roe Hills Gold-Nickel Project located ~120km east of Kalgoorlie near the world-class Kambalda Nickel Province.

The exploration programs completed during the year continue to deliver results that support the potential for a near-term major discovery at both projects.

Kairos has been well recognised for its industry leading technical team that includes:

- ▶ Mr Ian Finch (Chairman)
CRA, Tyranna and Taipan Resources
- ▶ Mr Neil Hutchison (Technical Director)
Poseidon Nickel, Jubilee Mines
- ▶ Mr Steve Vallance (Technical Manager)
WMC, ACM, Jubilee Mines, Xstrata, LionOre, Kagara
- ▶ Ms Sarah Dowling (Komatiite Specialist)
CSIRO, ACM, MPI
- ▶ Dr Nigel Brand (Geochemical Specialist)
WMC, Anglo American
- ▶ Newexco Services (Geophysical and Geological Consultants)
Mr Adrian Black, Mr Bill Amman

The team has more than 140 years of combined experience in exploration and mining, and has played pivotal roles in the discovery, delineation and development of mineral resources with an in-ground value of more than \$10 billion.

The team has maintained a methodical and scientific approach that has and will continue to ensure capital efficiency while providing maximum exposure to exploration upside.

Kairos maintains a long-term strategy and continues to drive its exploration efforts with a counter-cyclical approach to development. We remain focused on building shareholder value by delivering consistent exploration activities with a focus on Western Australia.

Our aim is to deliver new major discoveries in the near term to maximize shareholder value in the next inevitable upswing in the commodity price cycle.

SAFETY

Kairos is proud to report that no significant incidents or lost-time injuries were experienced during the reporting period. Our goal is to ensure that all aspects of the Company's business reflect industry best practices while meeting statutory requirements and compliances.

Kairos is committed to developing a culture whereby all stakeholders embrace the highest level of Health, Safety and Environmental awareness as an integral part of every operation.

HIGHLIGHTS

EAST PILBARA GOLD & LITHIUM PROJECTS

- ▶ Acquisition of the Mt York Lithium Gold Project from Tyranna Resources (ASX: TYX) and Tribal Mining Pty Ltd. The project immediately abuts the world-class Pilgangoora Lithium-Tantalum Project being developed by Pilbara Minerals (ASX: PLS) and Altura Mining (ASX: AJM).
- ▶ Review of existing historical Gold resources at Mt York undertaken to upgrade to JORC 2012 compliance with upgrades completed during the reporting period for the Iron Stirrup and Old Faithful deposits, resulting in the establishment of an initial JORC 2012 Mineral Resource inventory of 135,000oz – upgrades for Main Hill and Breccia Hill deposits in progress.
- ▶ Significant depth extensions of high-grade Gold lodes identified beneath the historical Iron Stirrup, Main Hill and Breccia Hill open pits at Mt York following a detailed geological review.
- ▶ Extensive drilling program commenced subsequent to the end of the reporting period to test extensions to the known Gold deposits before moving onto test numerous lithium-tantalum targets. This followed a comprehensive geological, geophysical and geochemical evaluation of the Mt York Project by the Kairos technical team.
- ▶ The presence of outcropping and buried pegmatites confirmed as being widely distributed across the Mt York Project area by mapping and surface sampling. Numerous new pegmatite targets were identified from radiometric and aeromagnetic data interpretation.
- ▶ Acquisition of the Wodgina East Lithium-Tantalum Project, located adjacent to Global Advanced Metals' Wodgina Tantalum Mine, with the Company's East Pilbara lithium portfolio expanded to 1,158 square kilometres through a series of strategic tenement applications.
- ▶ Advanced modelling techniques implemented in consultation with leading consulting group Geochemical Services Pty Ltd to identify and secure new highly prospective Lithium tenure and rationalise the Company's existing Pilbara footprint.

WA NICKEL EXPLORATION

ROE HILLS GOLD-NICKEL PROJECT, WA

- ▶ Successful reassessment of Gold potential undertaken at Roe Hills resulting in the identification of numerous historical occurrences including drill results of up to 181 g/t Au. Roe Hills adjoins Breaker Resources' (ASX: BRB) Lake Roe Project, where a significant new virgin gold discovery has been confirmed this year.
- ▶ Preparations commenced for a Gold-focused drilling program scheduled to commence in October 2016.

CORPORATE

- ▶ Company name changed to Kairos Minerals to reflect its new growth strategy centred on a portfolio of high quality gold and lithium assets in WA.
- ▶ Completion of a 10-for-1 share consolidation provides the Company with a significantly strengthened capital base to underpin its growth initiatives.
- ▶ Appointment of highly credentialed Australian mining executive Ian Finch as Chairman.
- ▶ Successful capital raisings completed including a \$1.2M share placement, \$4.04M non-renounceable rights issue and an offer to expiring listed option holders to raise ~\$700,000.

OPERATIONS REPORT

Kairos's current exploration portfolio comprises two core projects that are 100% owned and strategically located in Western Australia's premier gold, lithium and nickel districts of the Eastern Goldfields and the Pilbara. The Company has continued to expand its footprint in these key regions and has secured highly prospective new tenure, while retaining its existing exploration projects in the Fraser Range and Dingo Range.

During the year, most of the Company's exploration expenditure was directed towards the newly acquired Mt York Lithium-Gold Project in the Pilbara and a refocus on the significant gold potential of the highly prospective Roe Hills Project.

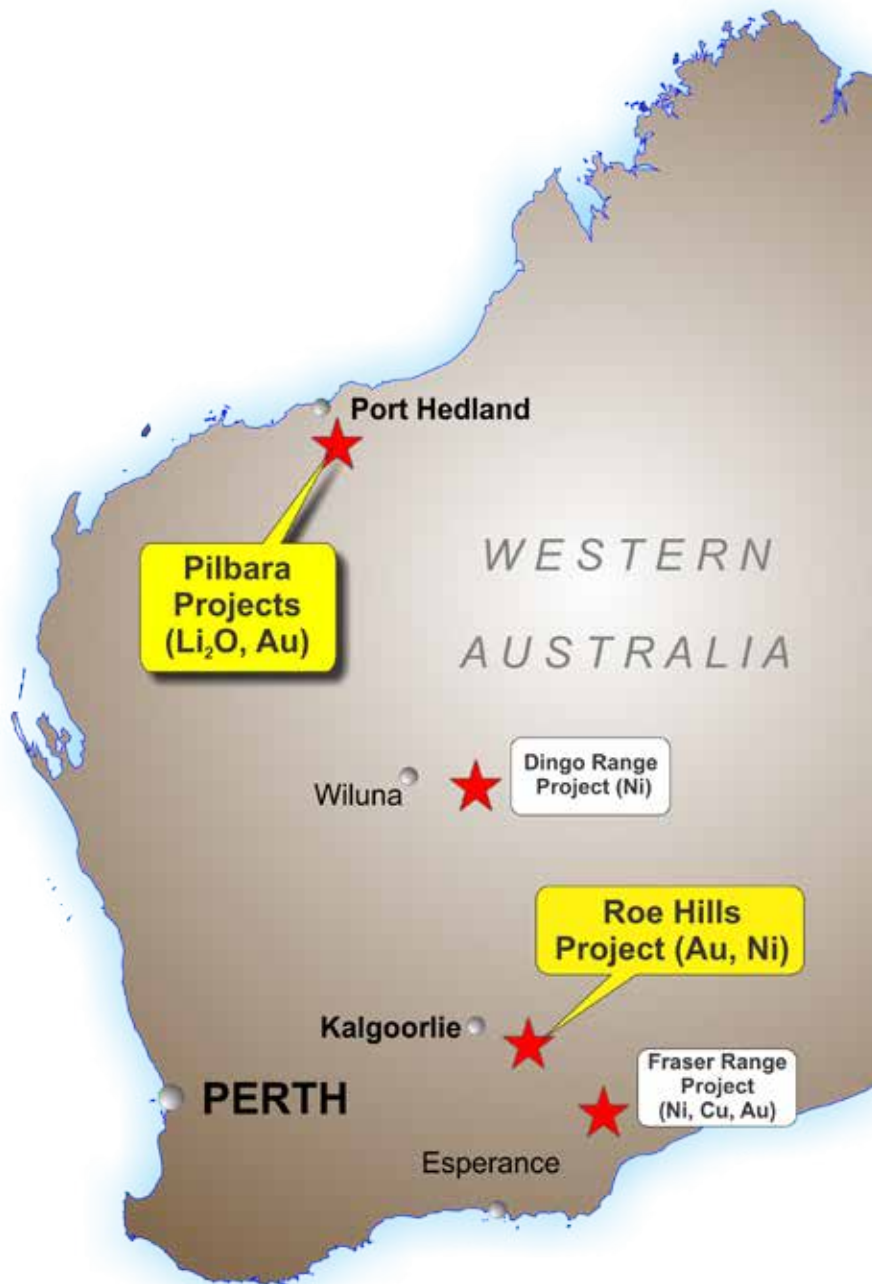


Figure 1 – Project Locations, Western Australia

PROJECT SUMMARY

WA GOLD EXPLORATION

MT YORK PROJECT (KAI 100%)

During the year Kairos significantly expanded the Gold potential of its 100%-owned Mt York Lithium-Gold Project, located 90km south-east of Port Hedland in WA's East Pilbara region, after identifying thick zones of high-grade Gold mineralisation located directly below a number of historical mining areas.

The main Gold deposits at the Mt York Project include Main Hill, Breccia Hill, Old Faithful and Iron Stirrup. The Main Hill and Breccia Hill prospects include existing shallow open pits which were mined in the 1990s at historically low gold prices of less than US\$300 per ounce. Significant depth extensions of the high-grade Gold lodes beneath these pits were recently identified by Kairos from a review of historical data (refer to ASX release dated 28 June 2016).

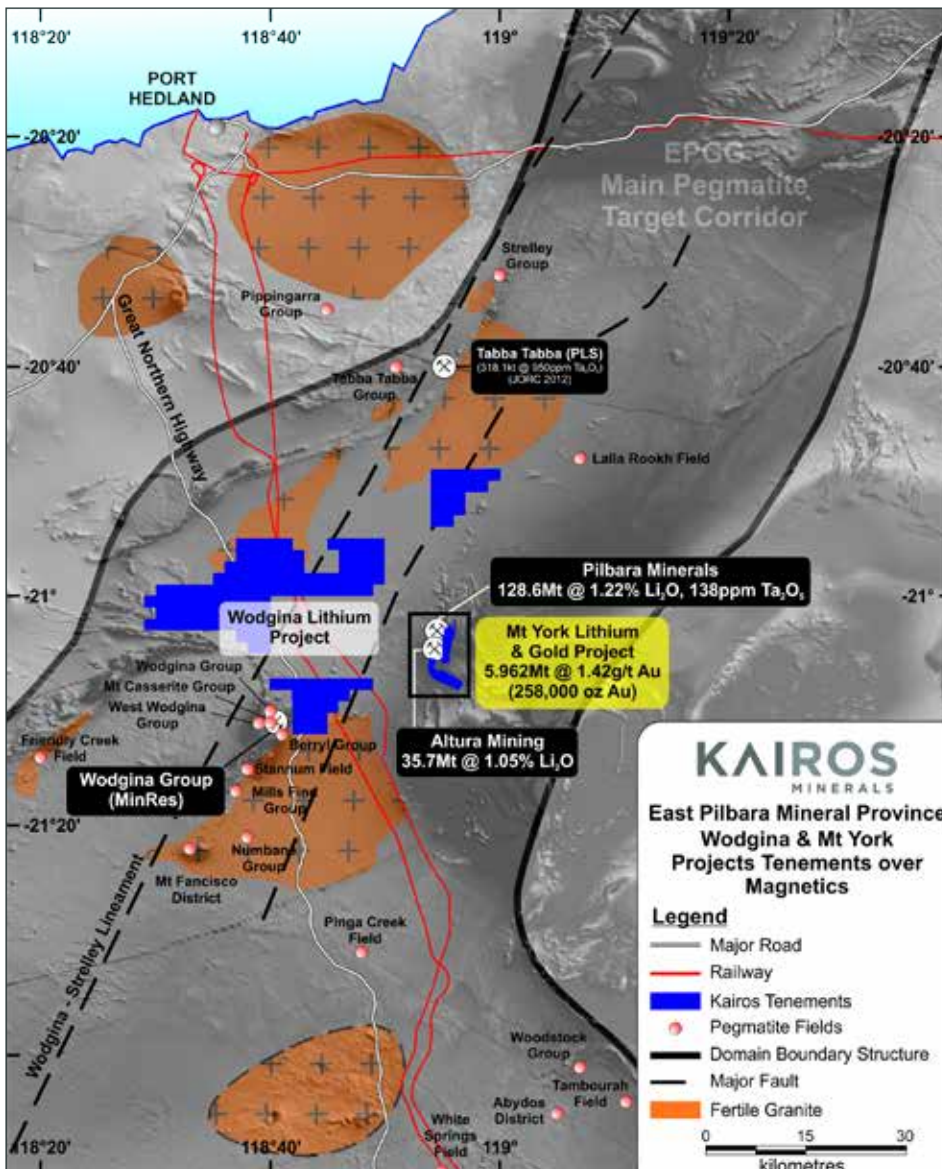


Figure 2 – Mt York and Wodgina Project Locations, Pilbara, Western Australia

The Iron Stirrup deposit, was mined in the mid-1990s before a pit wall collapse occurred towards the end of 1997.

A low Gold price and the pit wall failure at Iron Stirrup resulted in the previous operator, Lynas Gold, ceasing mining operations altogether, leaving in-situ the remaining Iron Stirrup mineralisation and the proposed cut-backs at the Breccia Hill and Main Hill pits.

Between 1994 and 1998 the Lynas Find Gold Project recovered 125,493oz of gold from 2,113,908 tonnes of ore with an average grade of 1.85g/t (Lynas 1998 Annual Report). A resource was defined but was never defined under JORC reporting standards for Resources.

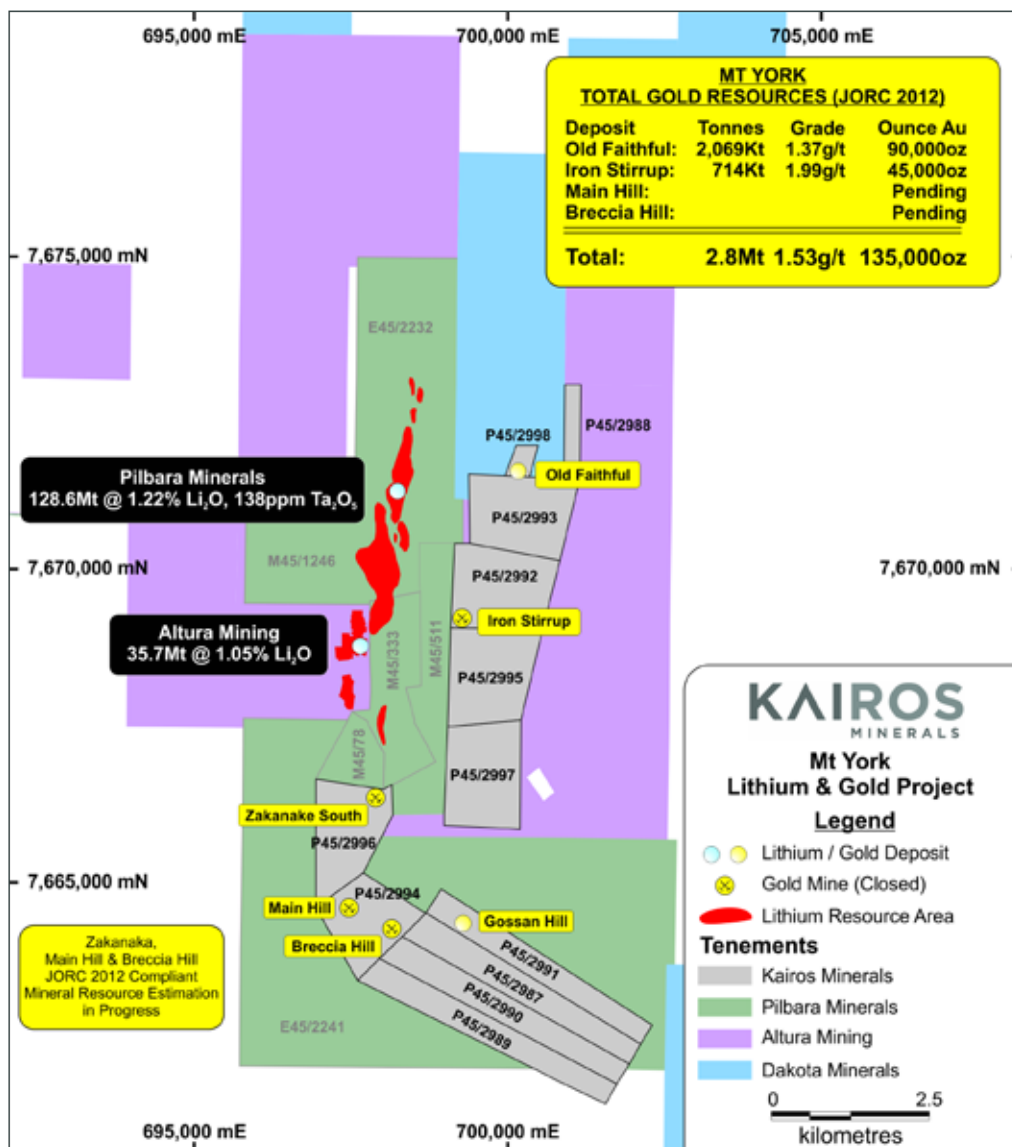


Figure 3 – Mt York Project Tenements with Gold Deposits

At the Iron Stirrup prospect, a total of 477 drill-holes were completed, with the bulk of the drilling completed in the period 1987-1988. Only Reverse Circulation (RC) and Diamond Drill (DD) holes were used in the resource estimate.

The Old Faithful deposit, was explored in the late 1980s to mid-1990s with a resource defined in 1996. Trafford Resources Ltd reported the previous 1996 resource on the 17th March 2008, reporting it as a JORC compliant resource under the 2004 code.

At the Old Faithful prospect, a total of 473 drill-holes were completed over a period from 1981 – 1995. Only Reverse Circulation (RC) and Diamond Drill (DD) holes were used in the resource estimate.

As part of its review of the Gold potential of the Mt York Project, the Company completed a geological review and reinterpretation of the Iron Stirrup, Main Hill, Breccia Hill and Old Faithful Gold prospects on its tenements.

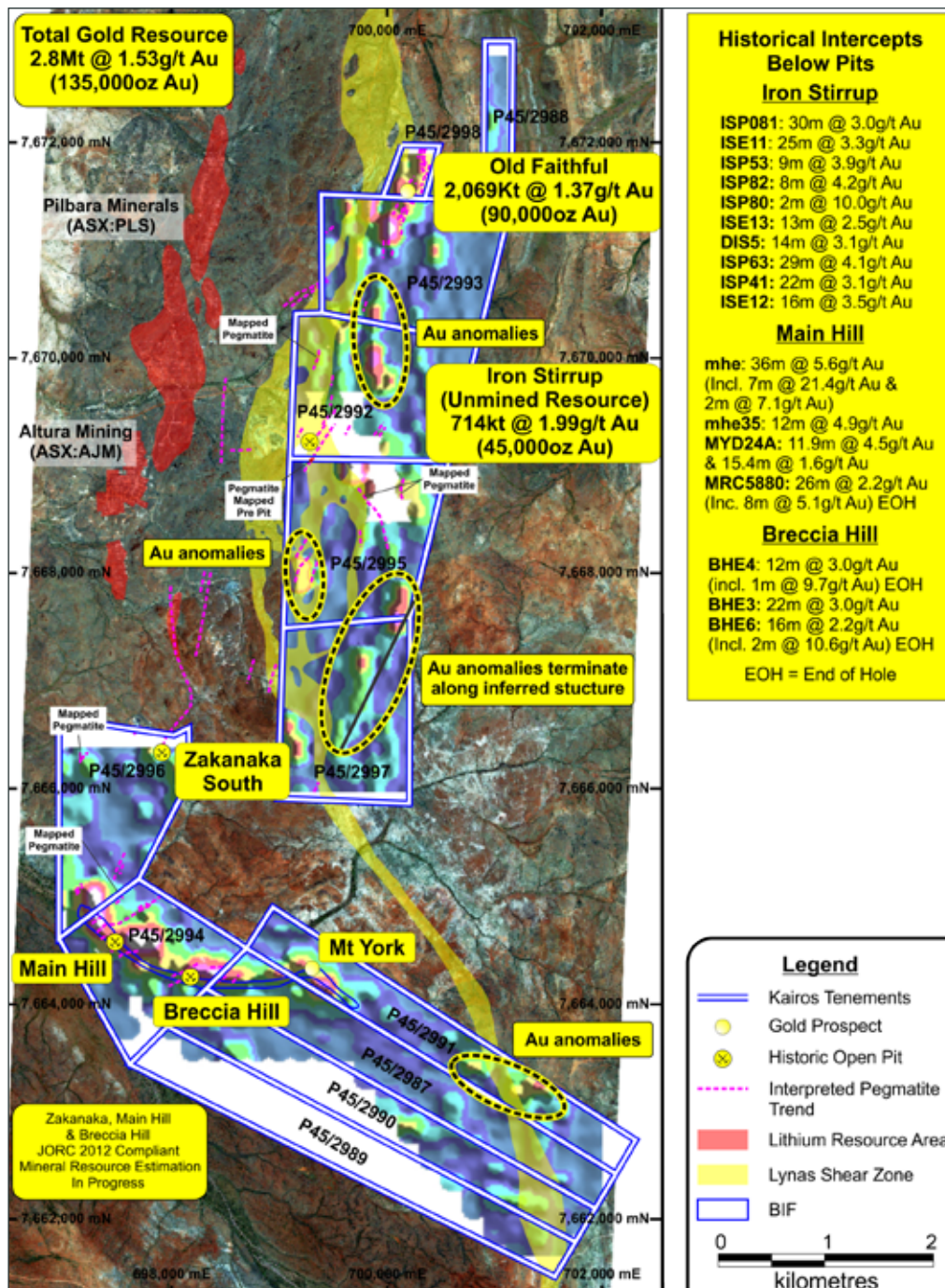


Figure 4 – Mt York Project Location, Tenements and Key Gold-Lithium-Tantalum Targets

The review identified significant depth extensions of the high-grade gold lodes beneath each of the historical open pits, with significant historical intersections including:

IRON STIRRUP:

- ▶ 30m @ 3 g/t gold (ISP081)
- ▶ 25m @ 3.3 g/t gold (ISE11)
- ▶ 9m @ 3.9 g/t gold (ISP53)
- ▶ 8m @ 4.2 g/t gold (ISP82)
- ▶ 2m @ 10.0 g/t gold (ISP80)
- ▶ 13m @ 2.5 g/t gold (ISE13)
- ▶ 14m @ 3.1 g/t gold (DIS5)
- ▶ 29m @ 4.1 g/t gold (ISP63)
- ▶ 22m @ 3.1 g/t gold (ISP41)
- ▶ 16m @ 3.5 g/t gold (ISE12)

MAIN HILL:

- ▶ 36m @ 5.35g/t Au (incl. 7m @ 21.37g/t Au & 2m @ 7.09g/t Au) (mhe3)
- ▶ 12m @ 4.91g/t Au (mhe35) · 18m @ 2.77g/t Au ended in mineralisation (MRC9442)
- ▶ 28m @ 2.16g/t Au (Incl. 2m @ 4.05g/t Au & (4m @ 4.33g/t Au) (MRC6073N)
- ▶ 11.9m @ 4.5g/t Au and 15.4m @ 1.6g/t Au (MYD24A)
- ▶ 18m @ 2.07g/t Au (incl. 6m @ 5.14g/t Au) ended in mineralisation (MRC5843E)
- ▶ 26m @ 2.15g/t Au (incl. 8m @ 5.11g/t Au) ended in mineralisation (MRC5880)
- ▶ 24m @ 4.09g/t Au (incl. 6m @ 12.25g/t Au) (MRC5883)
- ▶ 18m @ 2.45g/t Au (incl. 6m @ 4.65g/t Au) (MYD4)
36m @ 1.54g/t Au (incl. 8m @ 3.27g/t Au) ended in mineralization (MRC5685)
- ▶ 24m @ 2.19g/t Au (MRC5060E)
- ▶ 24m @ 3.14g/t Au incl. 6m @ 8.02g/t Au and 10m @ 7.19g/t Au [incl. 2m @ 24.1g/t Au] ended in mineralisation (MRC4883)
- ▶ 21m @ 3.52g/t Au (Incl. 4m @ 11.4g/t Au) (MRC4093E)
- ▶ 8m @ 4.75g/t Au (incl. 4m @ 8.052g/t Au) (mhe28)

BRECCIA HILL:

- ▶ 12m @ 2.95g/t Au (incl. 1m @ 9.65g/t Au) ended in mineralisation (BHE4)
- ▶ 13m @ 2.79g/t Au Incl. 2m @ 6.83g/t Au & 2m @ 4.65g/t Au & 1m @ 4.05g/t Au ended in mineralisation (BHE2)
- ▶ 22m @ 3.02g/t Au (BHE3) · 9.1m @ 4.14g/t Au (incl. 2.1m @ 10.2g/t Au) (MYD18A)
- ▶ 16m @ 2.17g/t Au (incl. 2m @ 10.55g/t Au) ended in mineralisation (BHE6) 8m @ 5.88g/t Au and 20m @ 1.07g/t Au ended in mineralisation (BRC8274E)



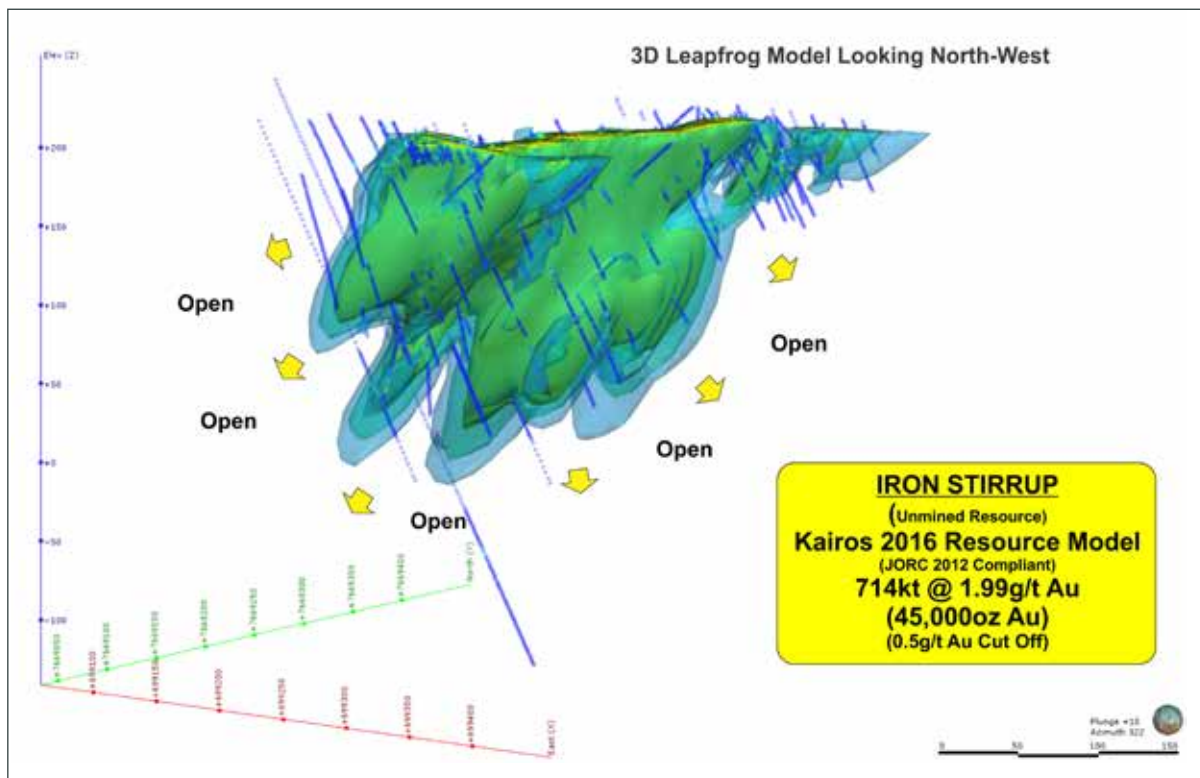


Figure 5 – Mt York Project, Iron Stirrup Deposit

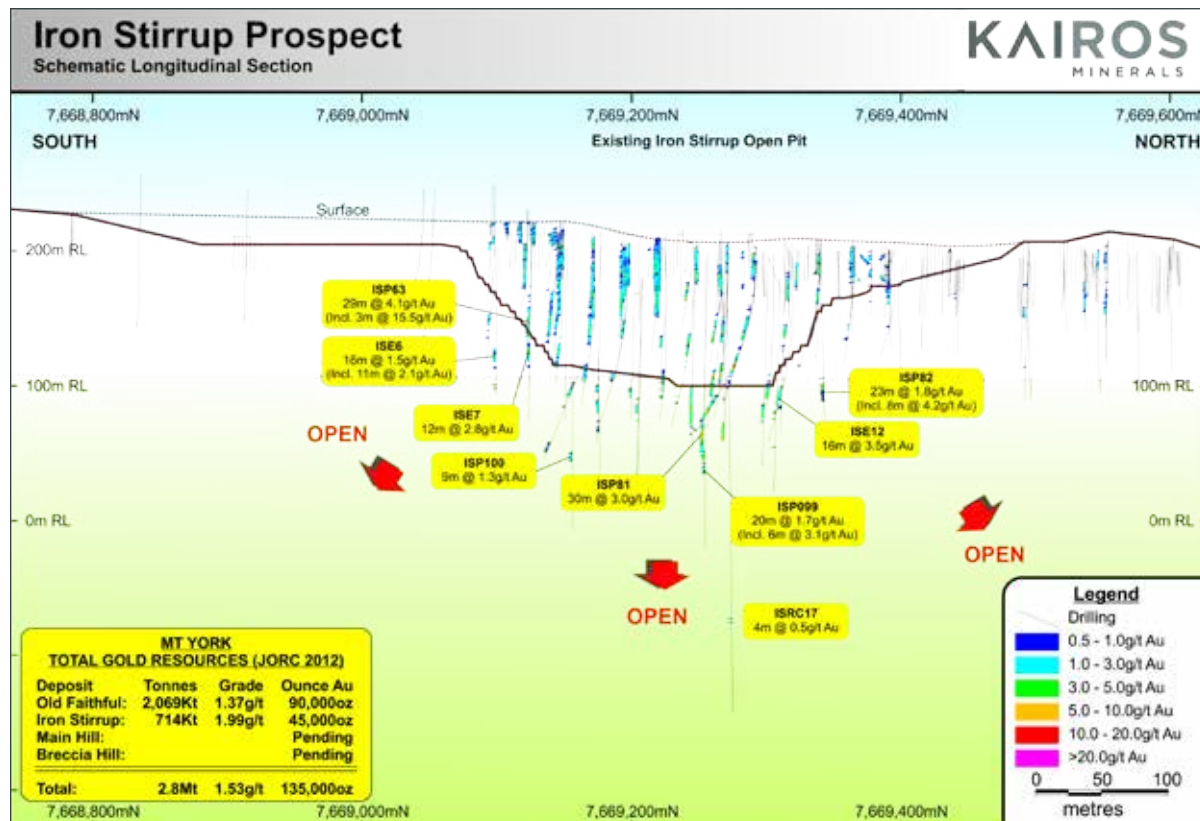


Figure 6 – Mt York Project, Iron Stirrup Deposit

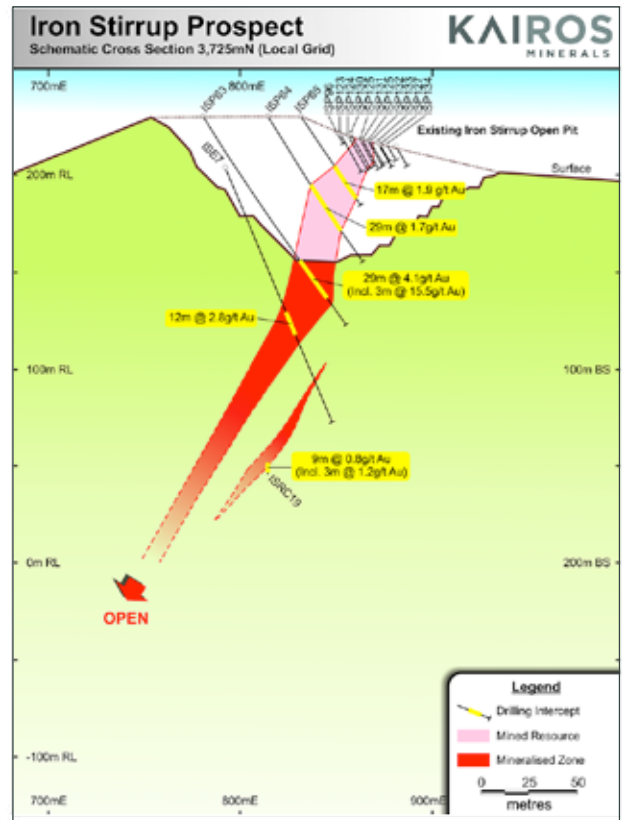
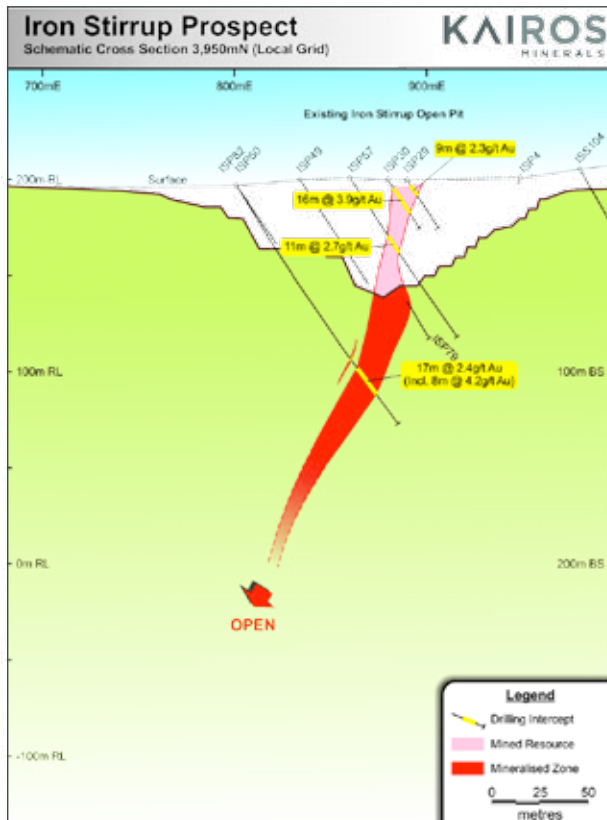
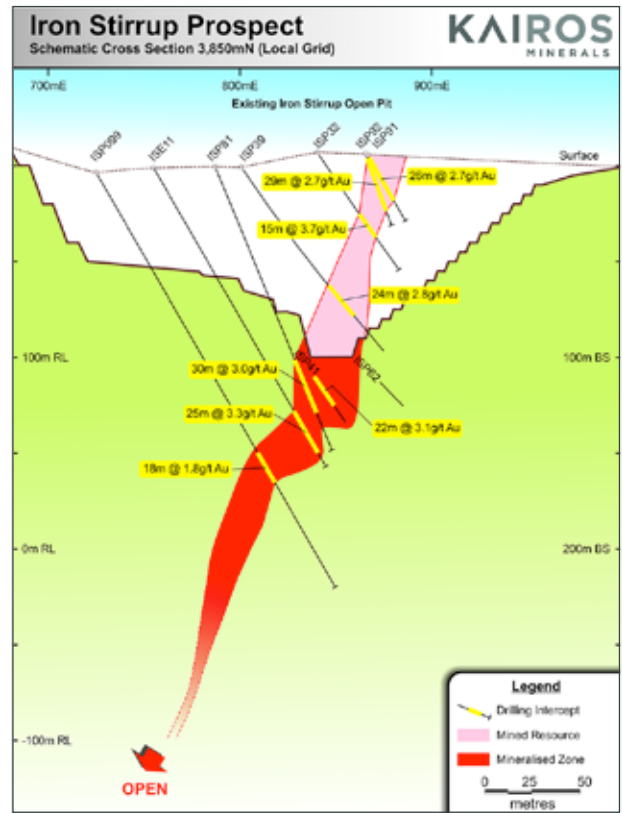
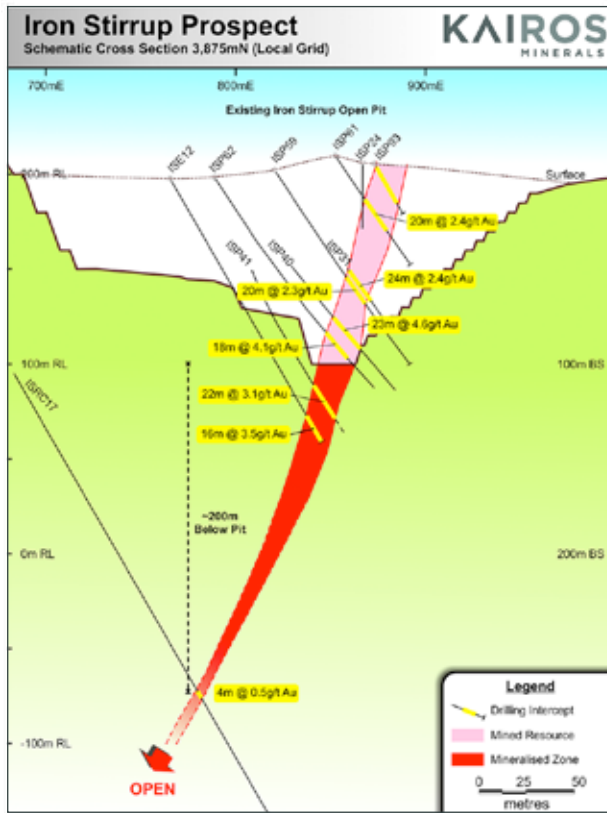


Figure 7 – Schematic Cross-Sections Showing the Iron Stirrup Deposit

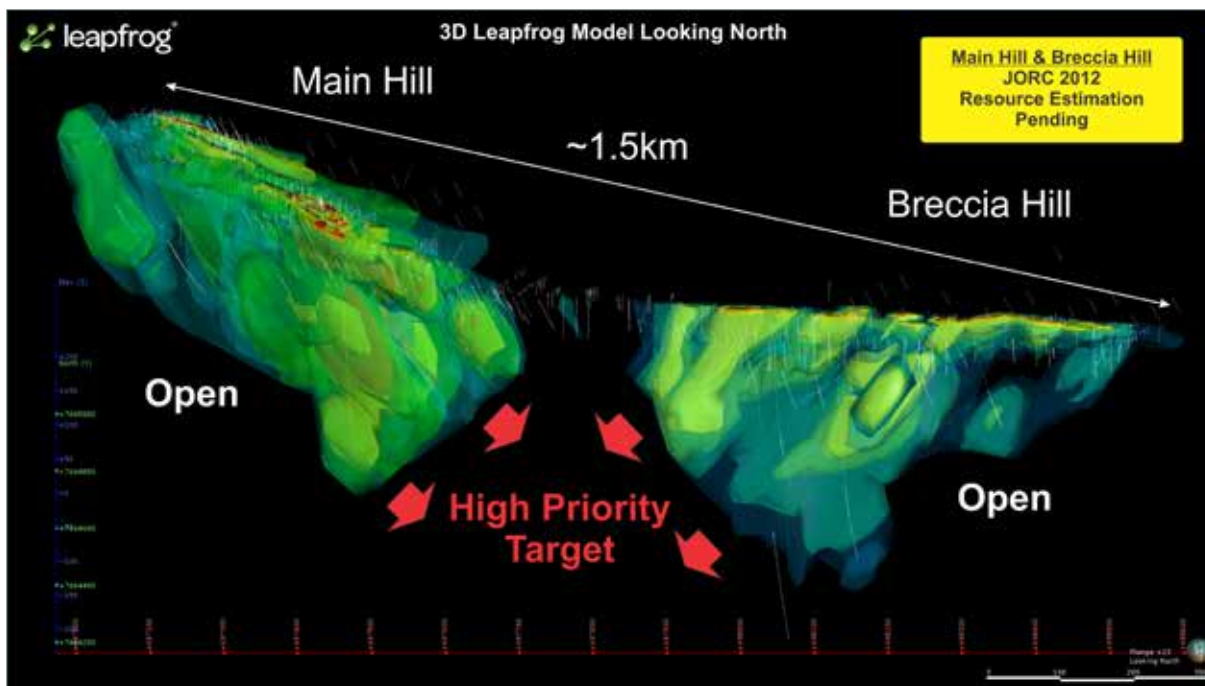


Figure 8 – Mt York Project, Main Hill & Breccia Hill Deposits

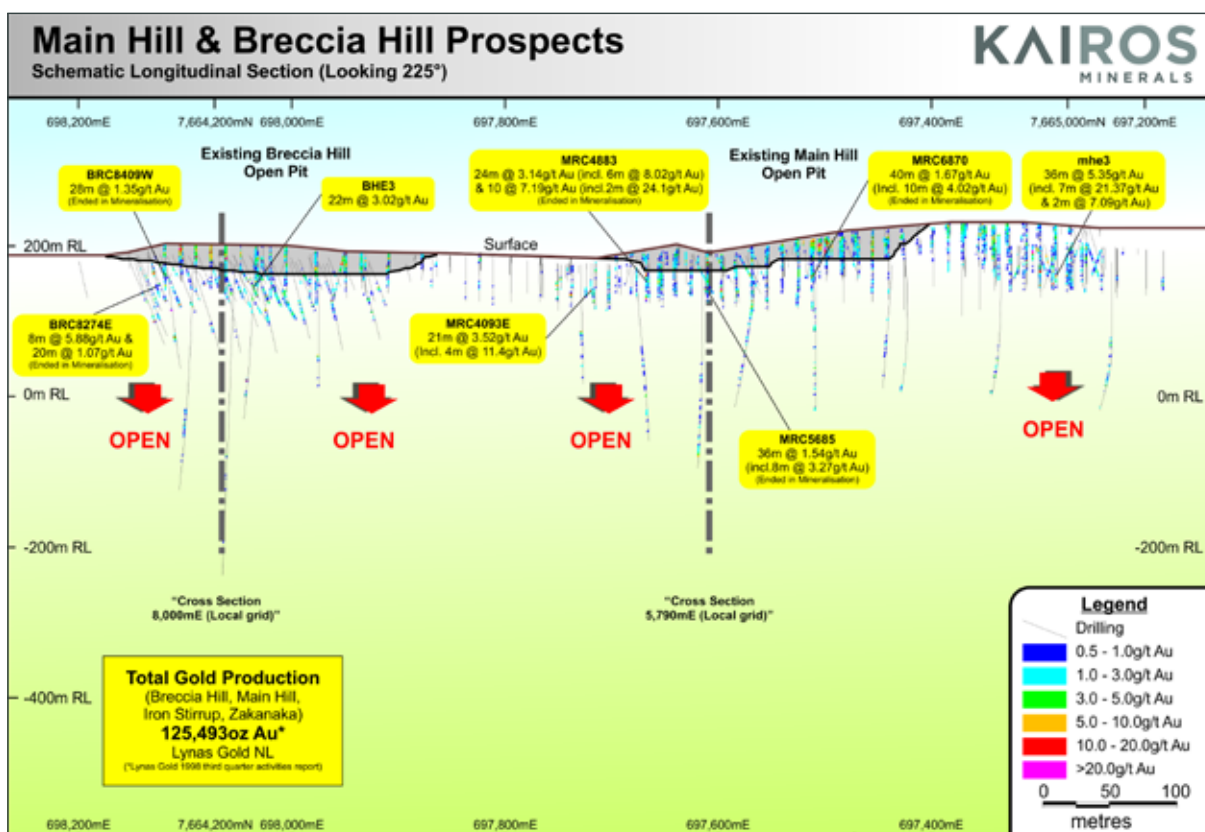


Figure 9 – Mt York Project, Main Hill & Breccia Hill Deposits

Full results of the data review are provided in the Company's ASX Announcements dated 20 June 2016 and 28 June 2016.

The Company also completed a geochemical review of recent soil sampling programmes and historical drilling data. These results have identified major extensions to the Old Faithful, Iron Stirrup, Main Hill, Breccia Hill and Zakanaka South Gold deposits. In addition, several extensive, previously unrecognised and unexplored Gold-bearing anomalous trends have been defined as high priority drill targets.

Kairos has commenced an initial Reverse Circulation/Diamond Drill program in September 2016.

Key targets will include:

- ▶ Interpreted major extensions at each of the known Gold deposits;
- ▶ Initial reconnaissance testing of several unexplored and highly anomalous Gold in soil trends extending over more than 10km of additional strike;
- ▶ Initial reconnaissance testing of several unexplored highly anomalous Lithium–Tantalum in soil trends; and
- ▶ The southern extension to the Pilgangoora LCT (lithium-caesium-tantalum) pegmatite corridor, which has been outlined as a well-defined, highly anomalous Lithium-Tantalum soil anomaly recognisable for over more than 2km of strike close to the Main Hill-Breccia Hill Gold deposits.



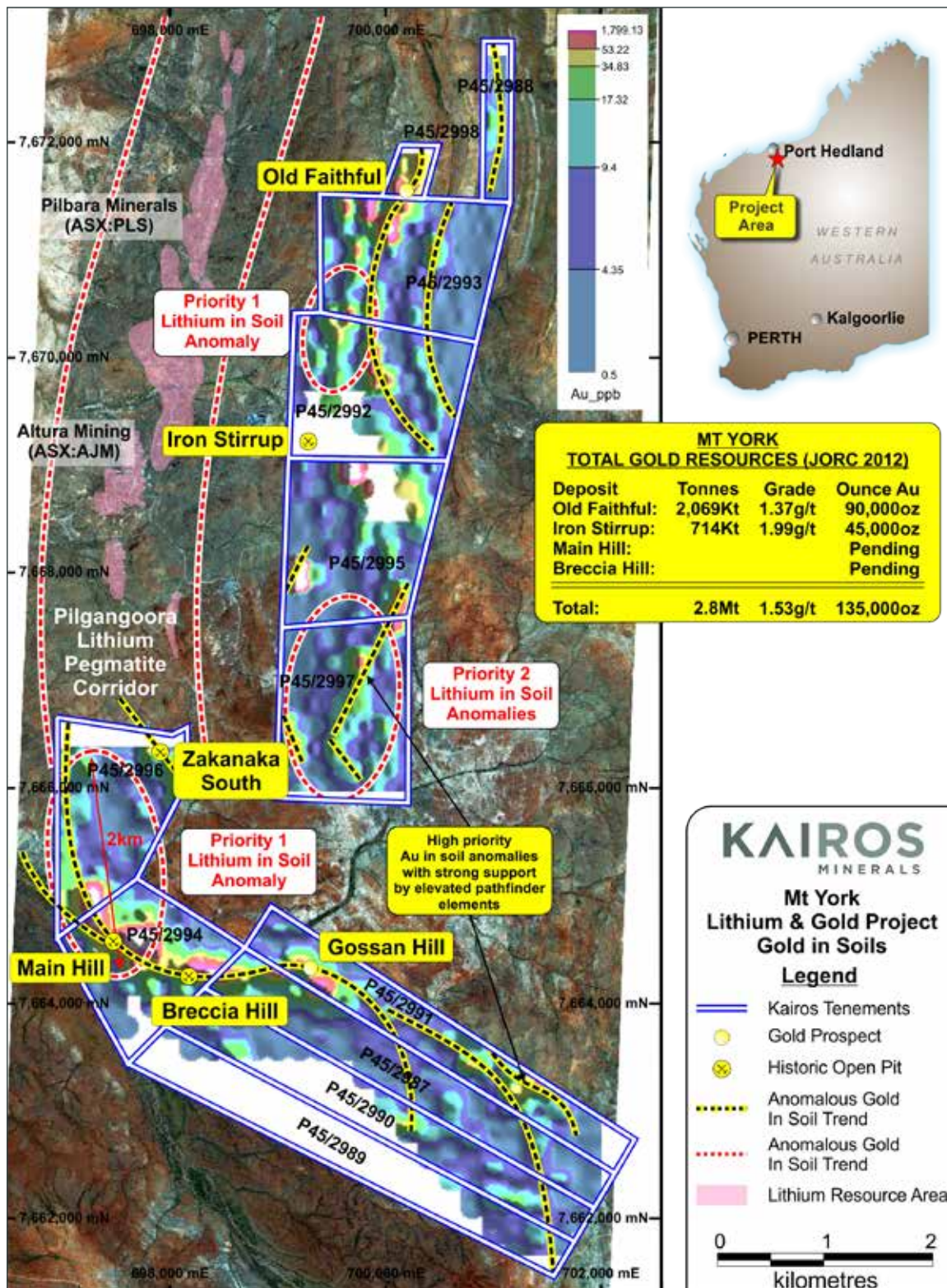


Figure 10 – Mt York Project, Tenements and Key Gold-Lithium-Tantalum Targets

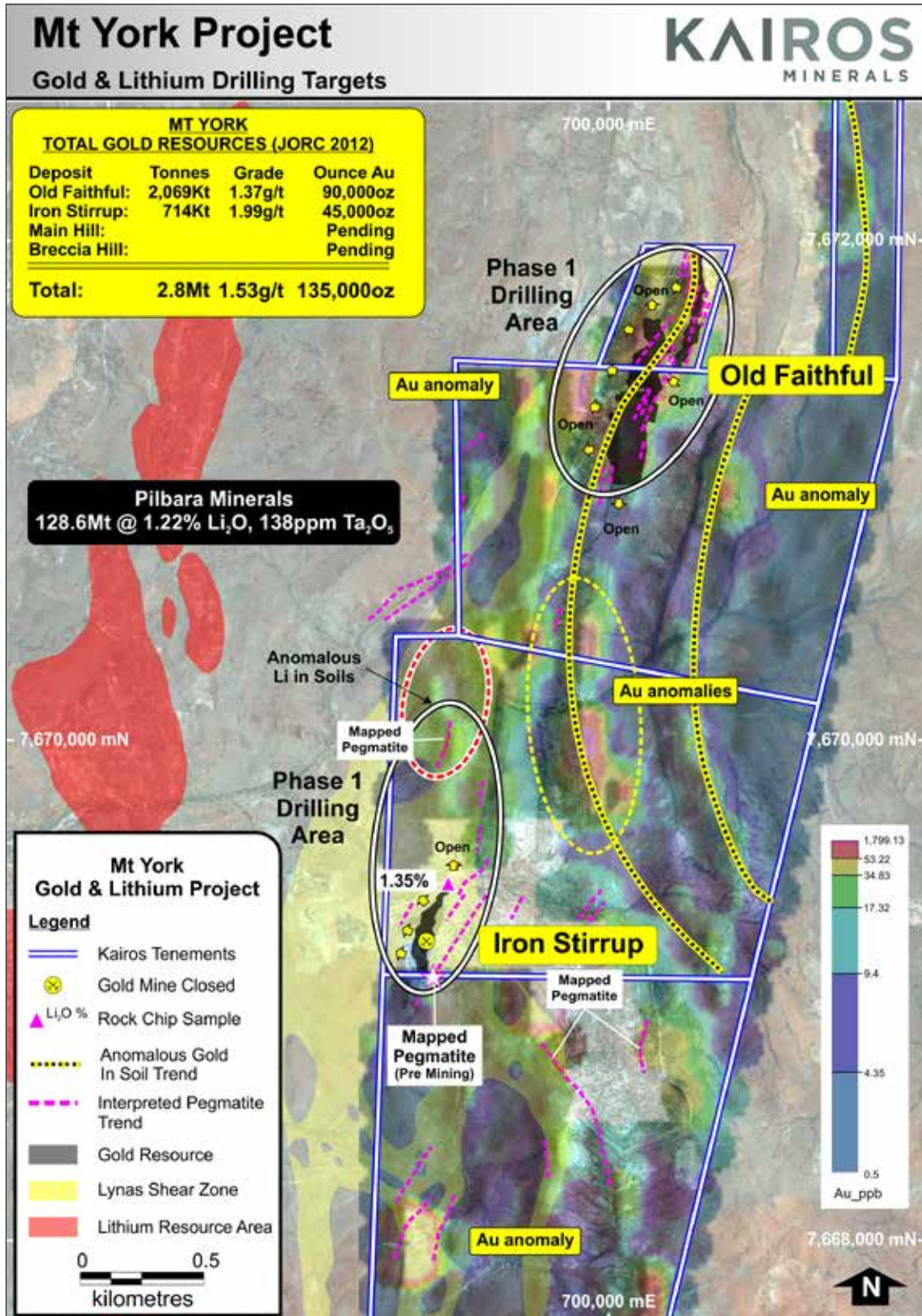


Figure 11 – Mt York Project, Iron Stirrup and Old Faithful, Key Gold-Lithium-Tantalum Targets

JORC 2012 MINERAL RESOURCES

During the September quarter the Company advised that it had confirmed the significant gold potential of its 100%-owned Mt York Lithium-Gold Project after announcing an updated JORC 2012 compliant Mineral Resource estimate for the first of several historical open pits and the unmined Old Faithful deposit.

The Phase 1 Mineral Resource estimate, comprising 2.8 million tonnes at an average grade of 1.53g/t Au for 135,000 contained Au ounces using a 0.5g/t cut-off, encompasses the Iron Stirrup and Old Faithful prospects – the first two historical open pits to be assessed as part of Kairos's ongoing review of the Gold resource potential at Mt York.

The updated mineral resource was independently estimated by Auralia Mining Consulting Pty Ltd as part of a geological review and reinterpretation of the extensive historical database for the project. This work has resulted an update and re-estimation of previous resource estimates that were included as part of Kairos' acquisition of the Mt York Project earlier this year.

The total Phase 1 JORC 2012 Mineral Resource estimate for the Mt York Project, encompassing the Iron Stirrup and Old Faithful deposits and reported using a 0.5g/t gold cut-off grade is set out in Tables 1, 2 and 3 below:

Table 1 – July 2016 Kairos Minerals JORC 2012 Mineral Resource Table for Iron Stirrup and Old Faithful Prospects (reported at a 0.5g/t cut-off)

| Prospect | Material | Category | Tonnes (kt) | Au (g/t) | Ounces (koz) |
|-----------------------------------|--------------|-----------|-------------|----------|--------------|
| Iron Stirrup | Fresh | Indicated | 421 | 2.22 | 30 |
| | | Inferred | 293 | 1.67 | 15 |
| Old Faithful | Transitional | Indicated | 325 | 1.18 | 12 |
| | | Inferred | 327 | 1.37 | 14 |
| | Fresh | Indicated | 609 | 1.41 | 27 |
| | | Inferred | 807 | 1.41 | 37 |
| Total Indicated | | | 1,355 | 1.61 | 69 |
| Total Inferred | | | 1,427 | 1.45 | 66 |
| Total Indicated + Inferred | | | 2,782 | 1.53 | 135 |

Table 2 – July 2016 Kairos Minerals JORC 2012 Mineral Resource Table for Old Faithful (reported at a 0.5g/t cut-off)

| Material | Indicated | | | Inferred | | | Total | | |
|--------------|-------------|----------|--------------|-------------|----------|--------------|-------------|----------|--------------|
| | Tonnes (kt) | Au (g/t) | Ounces (koz) | Tonnes (kt) | Au (g/t) | Ounces (koz) | Tonnes (kt) | Au (g/t) | Ounces (koz) |
| Transitional | 325 | 1.18 | 12 | 327 | 1.37 | 14 | 652 | 1.28 | 26 |
| Fresh | 609 | 1.41 | 27 | 807 | 1.41 | 37 | 1,417 | 1.41 | 64 |
| Total | 934 | 1.33 | 39 | 1,135 | 1.40 | 51 | 2,069 | 1.37 | 90 |

Table 3 - July 2016 Kairos Minerals JORC 2012 Mineral Resource Table for Iron Stirrup (reported at a 0.50 g/t cut-off)

| Material | Indicated | | | Inferred | | | Total | | |
|----------|-------------|----------|--------------|-------------|----------|--------------|-------------|----------|--------------|
| | Tonnes (kt) | Au (g/t) | Ounces (koz) | Tonnes (kt) | Au (g/t) | Ounces (koz) | Tonnes (kt) | Au (g/t) | Ounces (koz) |
| Fresh | 421 | 2.22 | 30 | 293 | 1.67 | 15 | 714 | 1.99 | 45 |

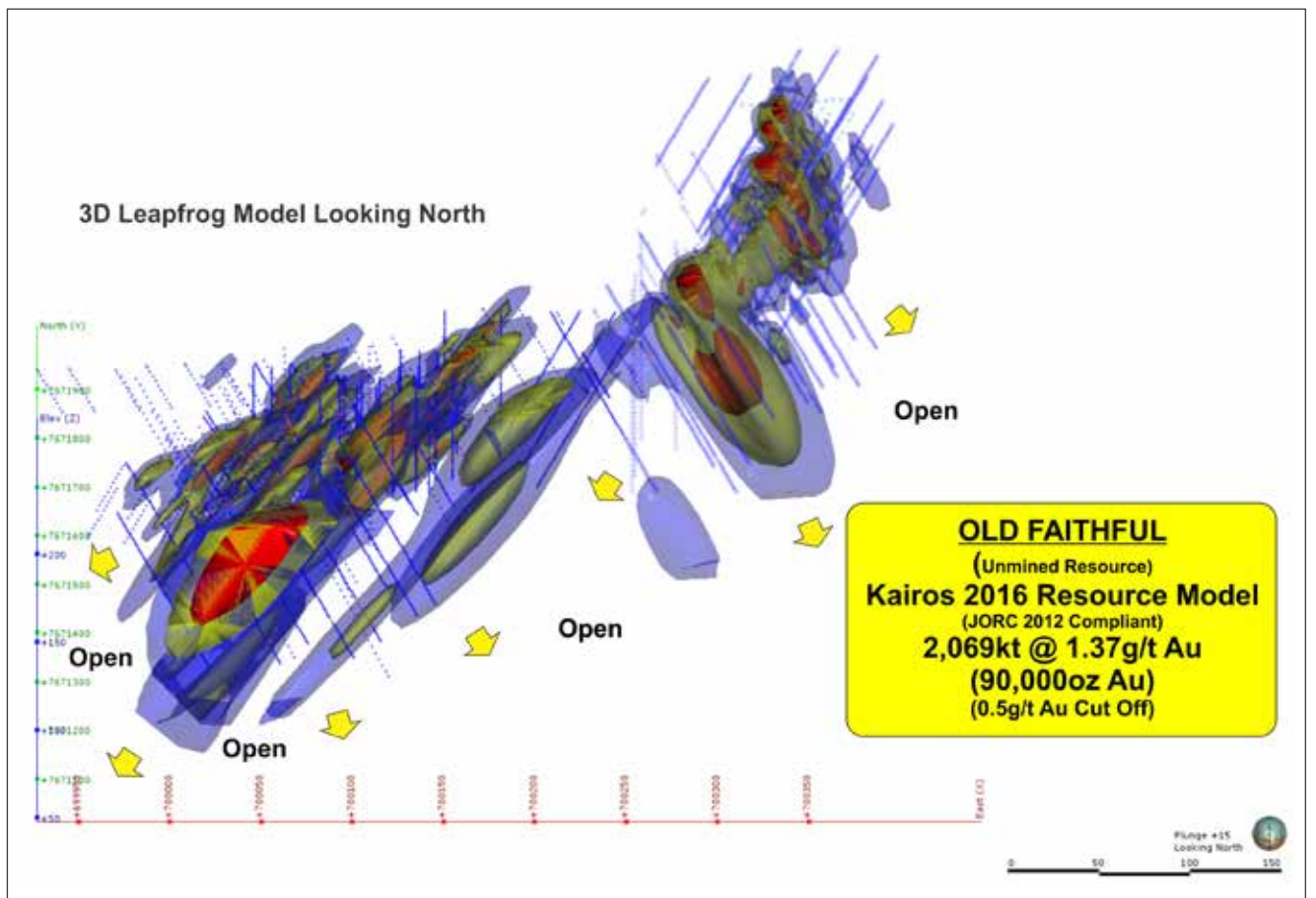


Figure 12 – Mt York Old Faithful Gold Deposit Resource Models

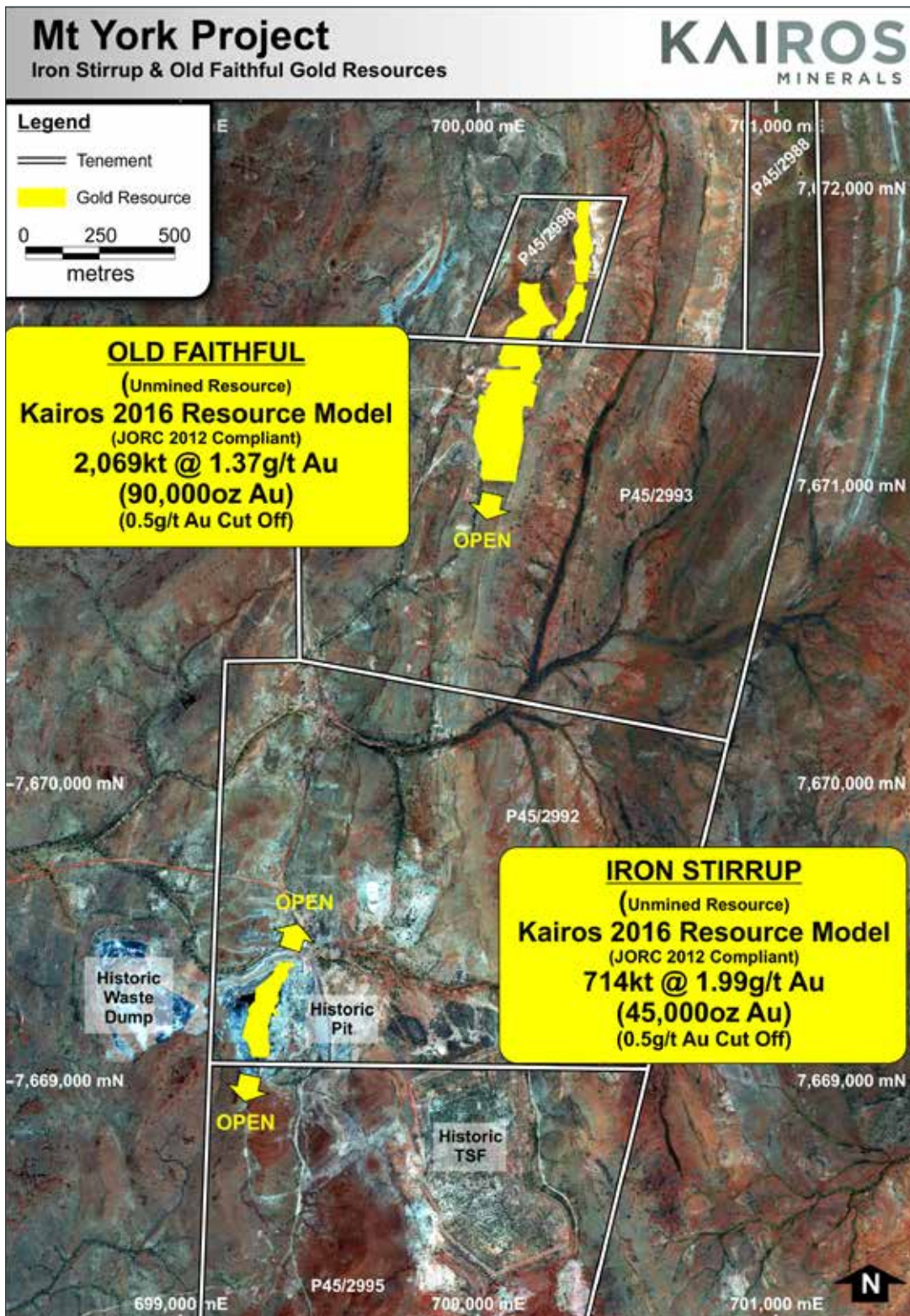


Figure 13 – Mt York Iron Stirrup & Old Faithful plan view of 2016 Gold deposit resource models

ROE HILLS GOLD PROJECT (KAI 100%)

The Roe Hills Project is located 120km east-southeast of Kalgoorlie's "Golden Mile" within the Eastern Goldfields of the Eastern Yilgarn Craton (EYC) of WA. The Eastern Goldfields is a world-class gold province that has produced in excess of 130Moz of gold with more than 20 deposits containing >1Moz Au (Wyche et al 2012). The Golden Mile has produced in excess of 70Moz of gold over a continuous production period since discovery of some 120 years.

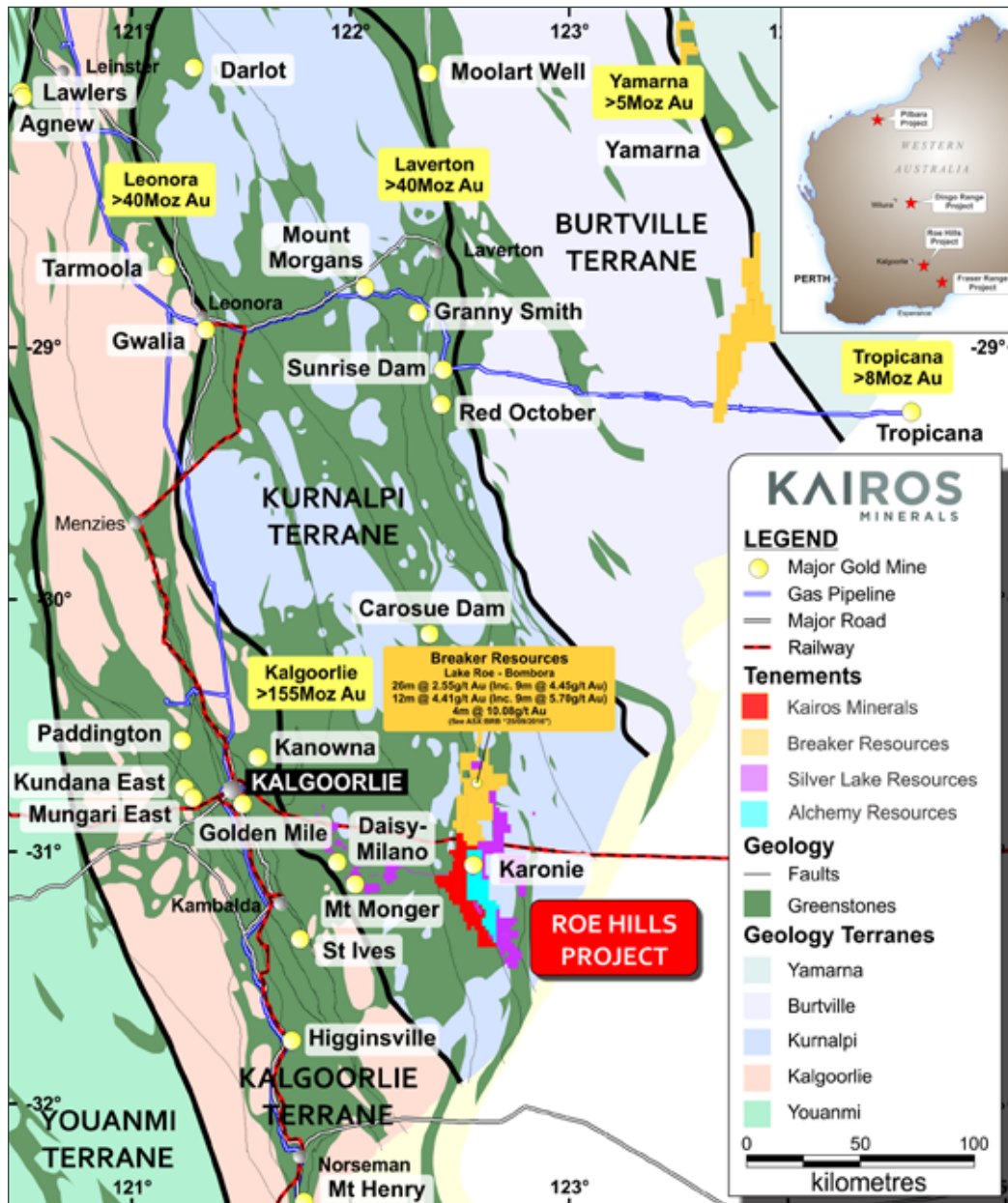


Figure 14 – Roe Hills Project Location, Eastern Goldfields, Western Australia

The Company's tenure comprises a total area of 324km² and secures a 40km continuous strike length of the interpreted southern extensions of the highly prospective Leonora-Laverton greenstone belts which is a major gold bearing terrane in WA.

The project area is flanked by Silver Lake Resources' Mt. Monger/Randalls Gold Operations to the west and the Aldiss Gold Project to the immediate east (9.342Mt @ 5.5g/t for 1.648Moz Au; 11.481Mt @ 2.4g/t for 869,400 oz Au and 6.852 Mt @ 2.2g/t for 473,700 oz Au respectively) (Silver Lake Annual Report Dec 2015).

The Karonie Gold Mine, located just 5km to the north-east of the project, was discovered and operated by Freeport in the late 1980's. The mine produced 175000oz of gold from 1.4Mt at an average grade of 4g/t Au. Exploitation of the deposit was via open pit mining methods.

Most recently, Breaker Resources Limited (ASX: BRB) has announced the discovery of a potentially significant new Gold field at its Lake Roe Project, only ~10km to the NNE of the project within the same tectono-stratigraphic corridor, further highlighting the Gold potential of the region (for details refer Breaker Resources website ASX: BRB).

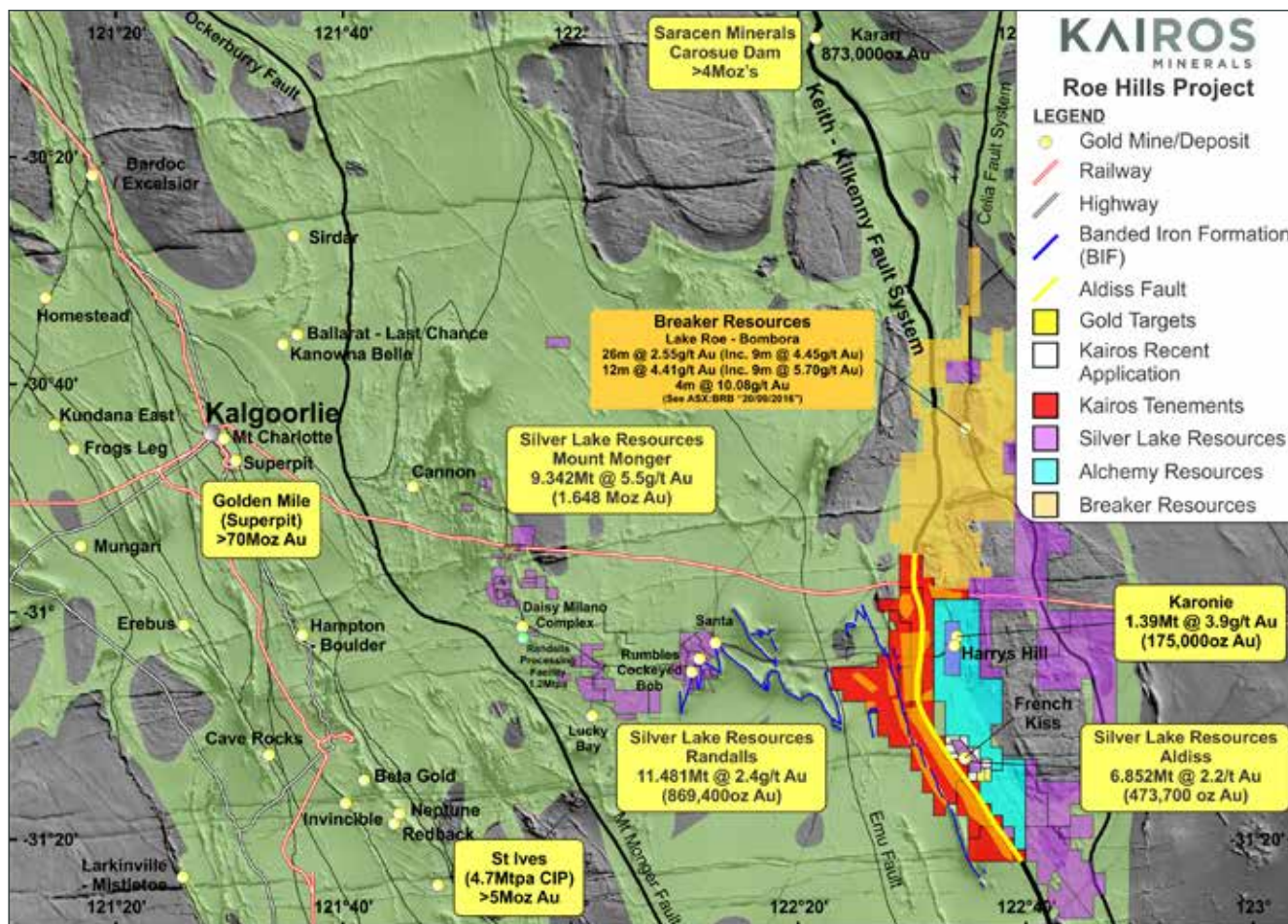


Figure 15 – Roe Hills Project Location, Eastern Goldfields, Western Australia

Western Mining Corporation's (WMC) Exploration Division – St. Ives Gold Division identified the Roe Hills Belt as a high priority gold-nickel project during the mid- 1990's to early 2000's. Although numerous potentially significant occurrences were outlined (e.g., Ginger Kiss, Eucalyptus, Sheehans Well, Terra) exploration effectively ceased in 2001 during a protracted period of historically low commodity prices (in 2001 the spot gold price was US\$250-300/oz).

No follow-up evaluation or methodical modern exploration for gold has been undertaken during the past 15 years.

The recent world-class gold discoveries at Tropicana (>8Moz) and Gruyere (>6Moz) to the eastnorth-east of the project demonstrate the opportunities available with the application of modern exploration methodologies within historically under-explored regions such as that of Roe Hills.

The immediate objectives of the new gold exploration program at Roe Hills are to:

- a. Continue geological/geochemical/structural interpretation of known gold occurrences;
- b. Assess historical data;
- c. Identify new target areas;
- d. Complete soil sampling; and
- e. Commence drill testing – utilising Aircore/RC/Diamond drilling

The Project comprises a 40km strike length of highly prospective terrain comprising at least 5 separate ultramafic belts. Structural repetition of the sequence via folding and faulting is interpreted to have significantly increased the amount of prospective ultramafic contact available to explore for nickel sulphides.

With the assistance of expert independent consultants, Kairos' geological team has been progressing a detailed review of the gold exploration potential at the Roe Hills Project in preparation for a major new drilling program.

This work has delivered a number of positive interim results, which are summarised below:

- ▶ The Roe Hills Project represents a dominant land-holding in an under-explored high quality geological setting with proven gold endowment.
- ▶ The project is bounded by the Celia/Claypan and Emu Fault systems and covers 40 strike kilometres of the Keith-Kilkenny Lineament (locally known as the "Aldiss" Fault) – all of which are regionally extensive deep crust/mantle tapping structures, well recognized as controlling the distribution of many of WA's major gold deposits.
- ▶ Numerous ENE and WNW "linking" structures transect the project stratigraphy, providing dilational traps within favourable lithologies defining multiple priority targets with the potential to host significant gold mineralisation.
- ▶ An initial collaborative targeting exercise undertaken with geophysical and geological consultants Newexco Services Pty Ltd has identified multiple high-priority target areas for gold. These targets, including the Ginger Kiss and Terra trends and the western BIF, are shown in Figure 2. A summary of historical intercepts from these areas is presented below (previously announced in KAI June Quarterly Report 2015):

TERRA TREND

- ▶ **Hole UR19** **16m @ 46.8g/t Au from 38m**
Including **4m @ 181.4 g/t Au from 38m**
- ▶ **TD1** **35m @ 1.0 g/t Au "stockwork"**
 from 116.5m
Including **3m @ 1.8 g/t Au from 117.1m**

- ▶ **Hole KD1** **25m @ 1.2 g/t Au from 161m**
Including **1m @ 20.4 g/t Au from 165m**
- ▶ **Hole KD3** **20m @ 0.71 g/t Au from 238m**
Including **7m @ 1.65g/t Au from 237m**

GINGER KISS TREND

- ▶ **KR01** **26m @ 0.84 g/t Au from 74m**
- ▶ **GKRC1** **4m @ 1.66 g/t Au from 74m**
- ▶ **GKRC2** **2m @ 2.2 g/t Au from 74m**
- ▶ **GKRC3** **2m @ 0.9 g/t Au from 76m**
- ▶ **GKRC11** **4m @ 1.22 g/t Au from 64m**

TALC LAKE TREND

- ▶ **Hole ROE147** **18m @ 1.65 g/t Au from 138m**
Including **2m @ 11.0 g/t Au from 138m**

SHEEHANS WELL TREND

- ▶ **Hole ROE247** **5m @ 13.7 g/t Au from 50m**
- ▶ A review of historical geochemical data in conjunction with detailed mapping of the regolith (near-surface environment) by geochemical consultant Dr Nigel Brand has highlighted extensive areas within the Roe Hills tenement package where historical exploration and surface geochemistry is believed to have been ineffective. This conclusion significantly enhances the exploration potential of the Roe Hills Project;
- ▶ A reinterpretation of the regional geology has highlighted the Western BIF (banded iron formation) ultramafic package at Roe Hills as being a fault dislocated extension of the BIF sequences which host all of the key deposits on Silver Lake Resources' (ASX: SLR) Randall's Project tenements, including Randalls, Cock-eyed Bob, Santa and Maxwells. This sequence remains under-explored and significantly enhances the prospectivity within Kairos' tenements;
- ▶ The Company's geological team has now confirmed the presence of gold-bearing structures and favourable mafic host lithologies within the Ginger Kiss and Terra prospect trends, both of which have strong geological similarities to Silver Lake's Aldiss Project.
- ▶ A review of the French Kiss Deposit (Integra open file Wamex Reports) has highlighted the possibility of gold mineralisation occurring within a conjugate shear set. A shallow east-dipping and south-plunging "main" lode and a previously unrecognized higher grade, steeply west dipping, "secondary" lode. A similar structural setting is interpreted at Ginger Kiss and Terra and both trends will be targeted for drill testing as part of the forthcoming program.

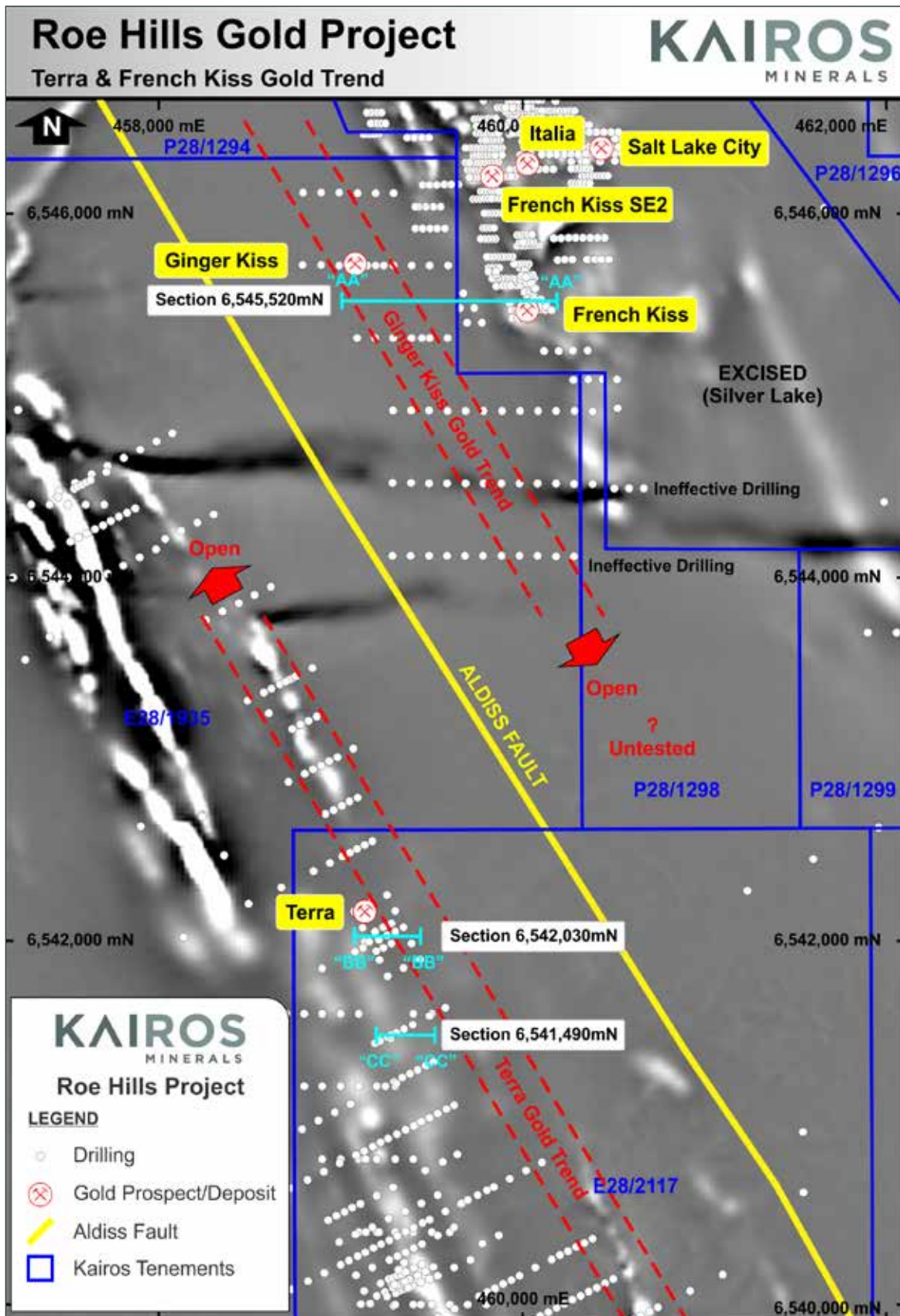


Figure 16 – Ginger Kiss & Terra Gold trends over regional magnetics

- ▶ Kairos' Ginger Kiss and Terra trends occur within extensive "demagnetized zones" adjacent to Silver Lake's French Kiss deposit and coincident with the interpreted position of the "Aldiss" Fault. This suggests the presence of a major "plumbing system", graben-style block and/or thrust faulting, intense alteration, magnetite destruction and deeper weathering associated with fluid movement along the "Aldiss Fault" and a network of second order structures related to it.
- ▶ In light of these developments, Kairos has applied for several strategic tenements (PLA's), located to the immediate north, south and east of the French Kiss, Italia and Salt Lake City deposits, to secure potential strike and depth extensions to known mineralisation within this highly prospective area.

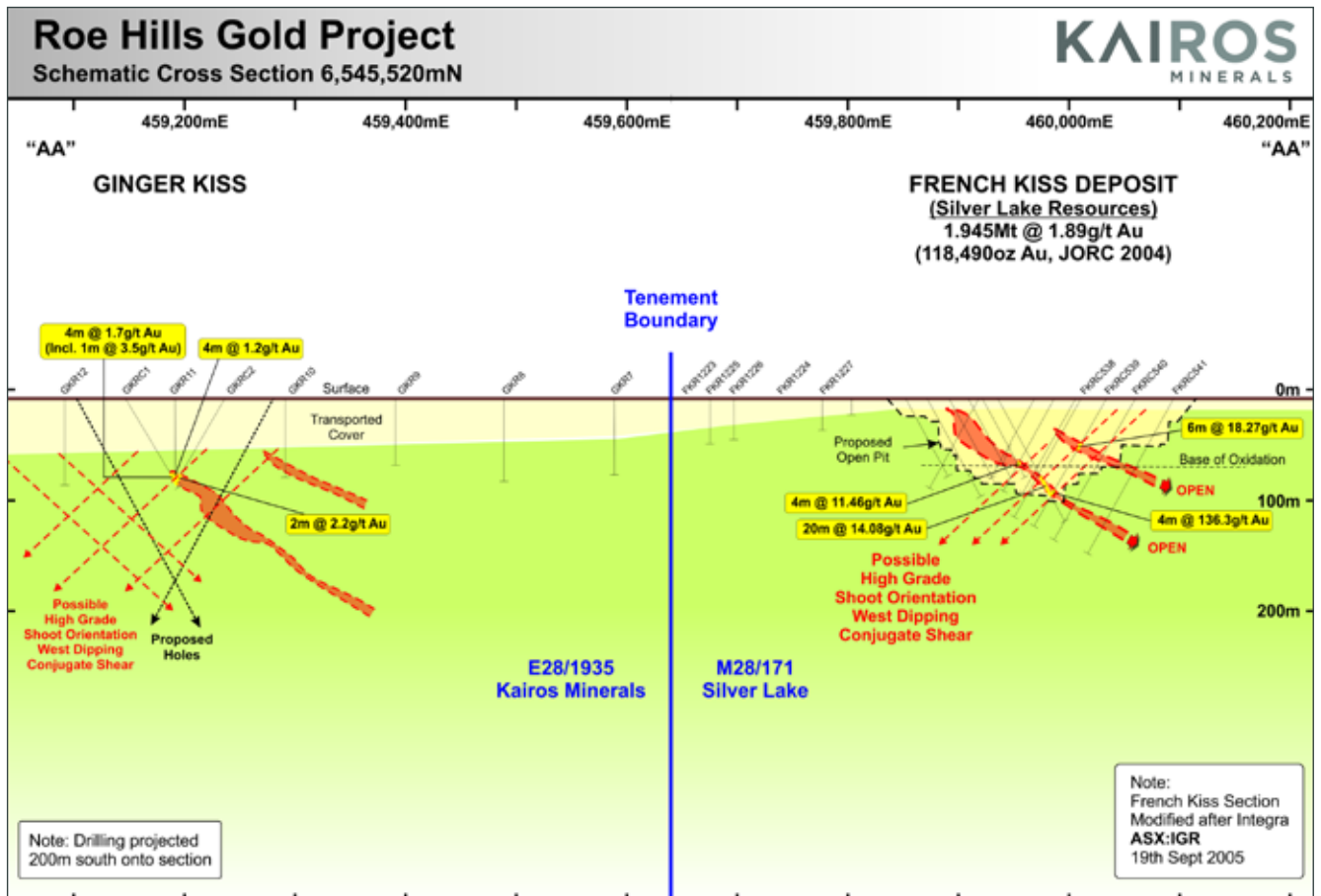


Figure 17 – French Kiss & Ginger Kiss Schematic Cross Section

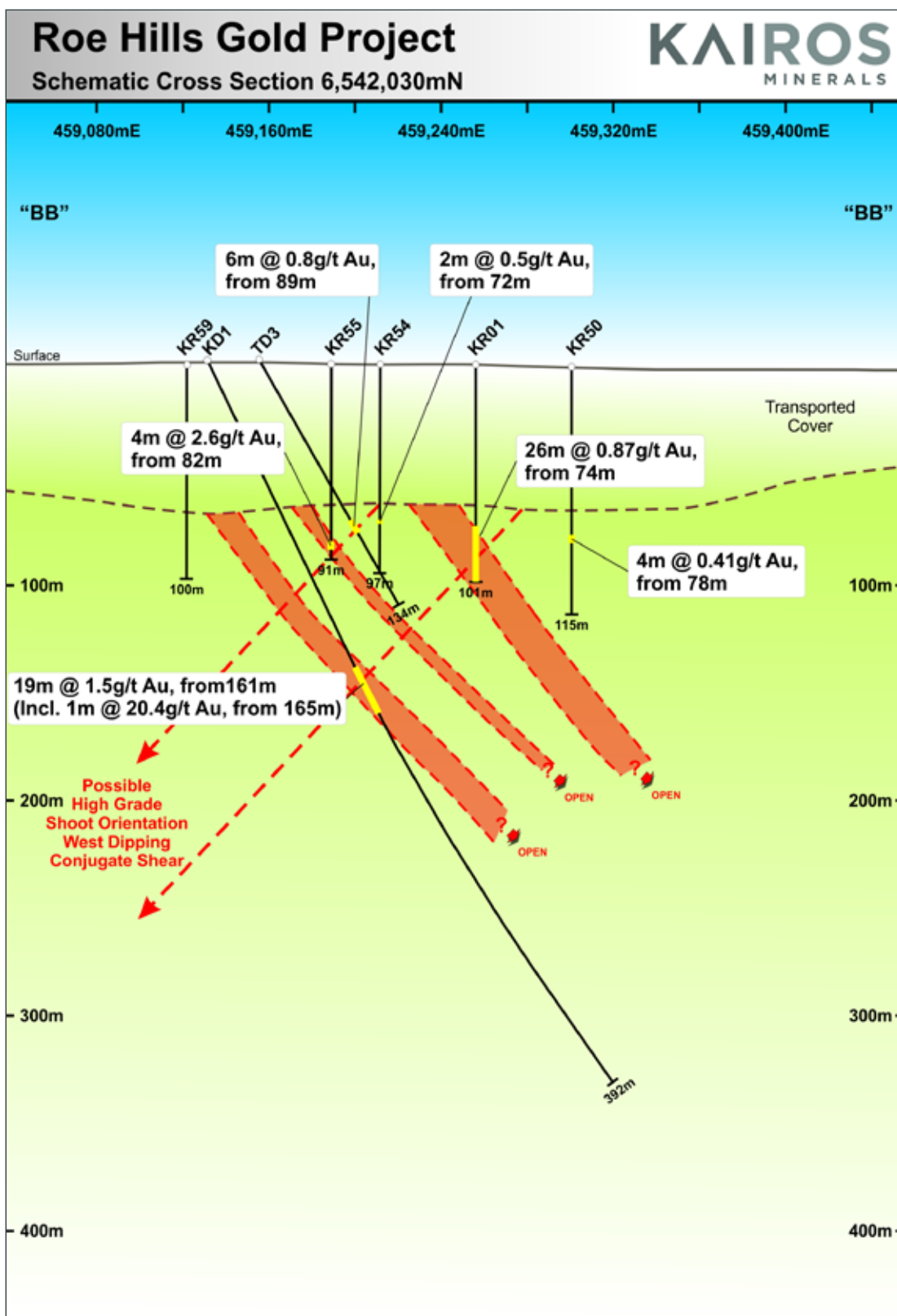


Figure 18 – Schematic cross section 6542030 Terra Prospect

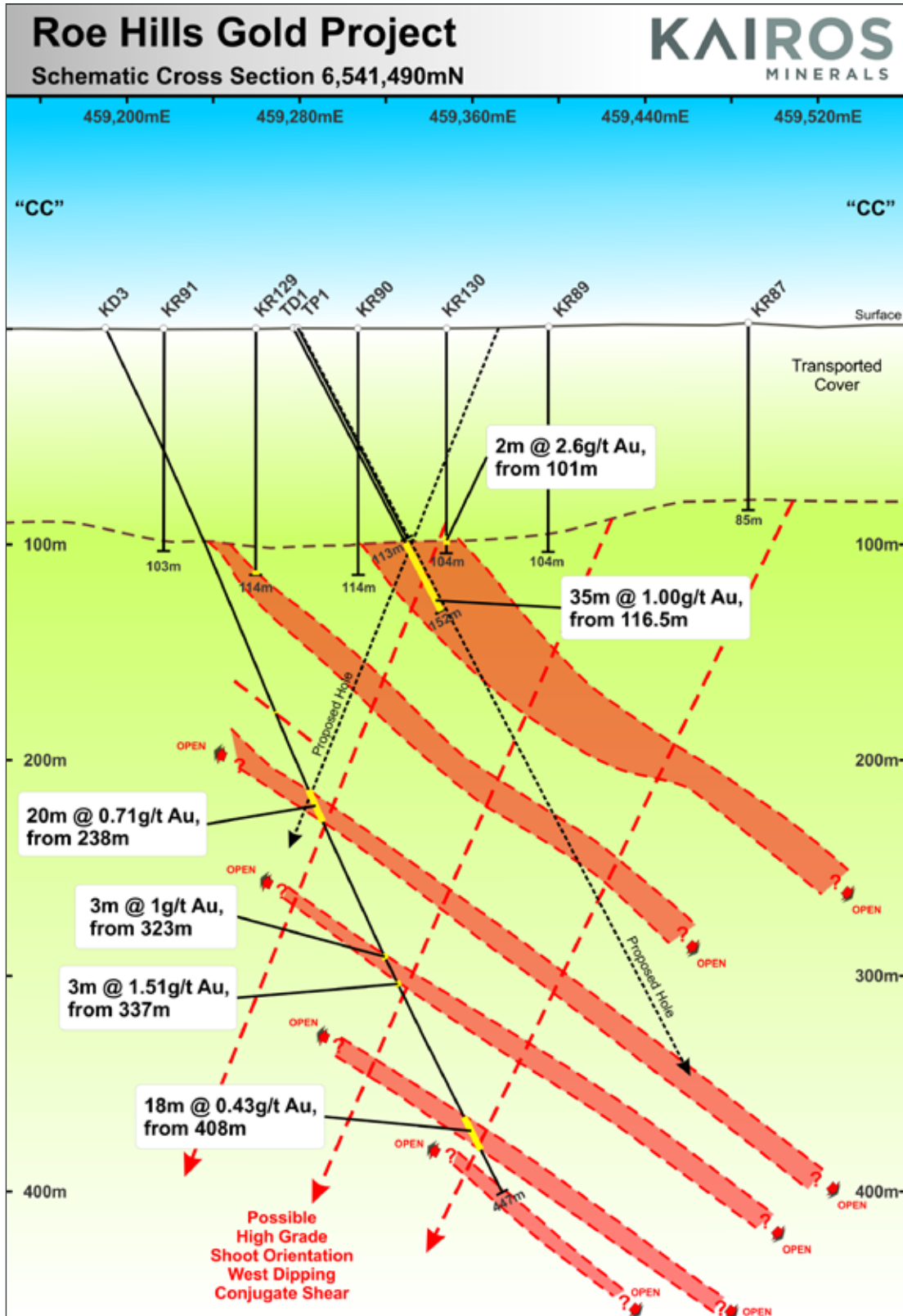


Figure 19 – Schematic cross section 6541490 Terra Prospect

To further refine these targets and prioritise drill testing, the Company recently engaged Haines Surveys to conduct detailed gravity surveys over the known and potential Gold-bearing structures at Roe Hills.

As is common throughout much of the Kurnalpi Terrane the targeted gold-bearing sequences at both Kairos' Roe Hills Project and Breaker Resources' Lake Roe Gold Project occur hidden beneath transported cover including lake sediments.

Gravity surveys are a geophysical remote sensing technique used to complement detailed magnetic data in defining geological structures, particularly in areas of transported cover where traditional exploration techniques (i.e. surface geochemistry) are ineffective. They are a critical component of modern multi-disciplinary exploration and have contributed too many recent significant Gold discoveries.

NEXT STEPS

The Gold exploration program at Roe Hills is being progressed in parallel with ongoing resource development and targeting work at the Mt York Lithium-Gold Project, located 120km south-east of Port Hedland in WA's East Pilbara region. The Current JORC 2012 compliant resources at Mt York total 135,000 ounces with work in progress to rapidly expand the project's global resource inventory.

Results from the gravity surveys are expected next month and will be interpreted in combination with the existing geological, geophysical and geochemical data to refine and prioritise drill targets.

Drilling is scheduled to commence in October 2016 following the receipt of statutory approvals.



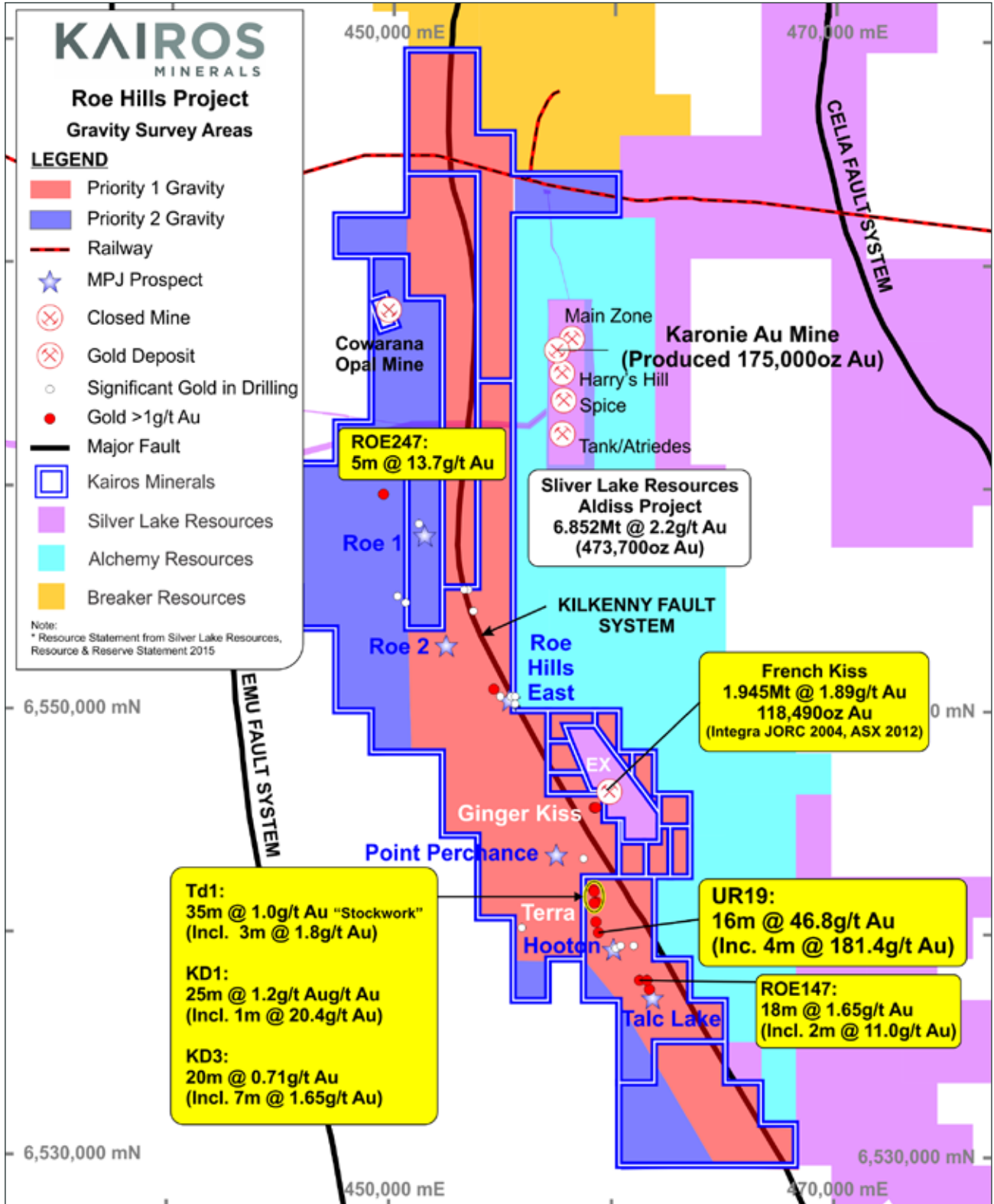


Figure 20 – Roe Hills Project, Proposed Gravity Survey

WA LITHIUM EXPLORATION

MT YORK LITHIUM-GOLD PROJECT (KAI 100%)

Kairos' Mt York Lithium-Gold Project is located on and in the vicinity of an extensive lithium-tantalum bearing pegmatite dyke swarm. Peer activity in the immediate area, commonly described as the Pilgangoora region, includes Pilbara Minerals (ASX Code: PLS) and Altura Mining (ASX Code: AJM), which have both discovered globally significant lithium and tantalum resources in recent times.

In February 2016, Kairos commissioned Magspec Airborne Surveys Pty Ltd to conduct an ultradetailed airborne geophysical survey across the Company's Mt York Lithium-Gold Project tenements.

The survey was conducted on 25m line spacing, with the principal aim of utilising high quality magnetic and radiometric data to identify areas containing potential pegmatite intrusives and to assist with drill targeting

The targeting identified a series of radiometric anomalies throughout the tenement package which are interpreted to represent potassium feldspar-rich zones of pegmatite intrusives, either outcropping, emplaced as non-outcropping sub-horizontal sheets or buried beneath shallow cover. The signatures of the geophysical anomalies were cross-referenced with areas of known pegmatite bearing lithium mineralisation, such as the Pilgangoora Central Pegmatite Suite, to establish a benchmark for the targeting.

Following the completion of the geophysical program outlined above, Kairos completed an initial campaign of reconnaissance rock chip sampling at Mt York. Samples from this program returned outstanding results of up to 2.22% Li_2O and 0.44% Ta_2O_5 (ASX:KAI announced 07 June 2016).

The rock chip sampling program outlined a large area of strong Tantalum-dominant mineralisation close to the Main Hill Gold deposit at the southern end of the Project area with an exceptionally high peak value of 0.44% Ta_2O_5 .

The identification of a Tantalum rich pegmatite swarm within the southern project area is highly encouraging both as a potential "stand alone" mineral occurrence and as a vector toward a potential association with an increasingly fractionated lithium-dominant phase situated along strike and/or down-dip.



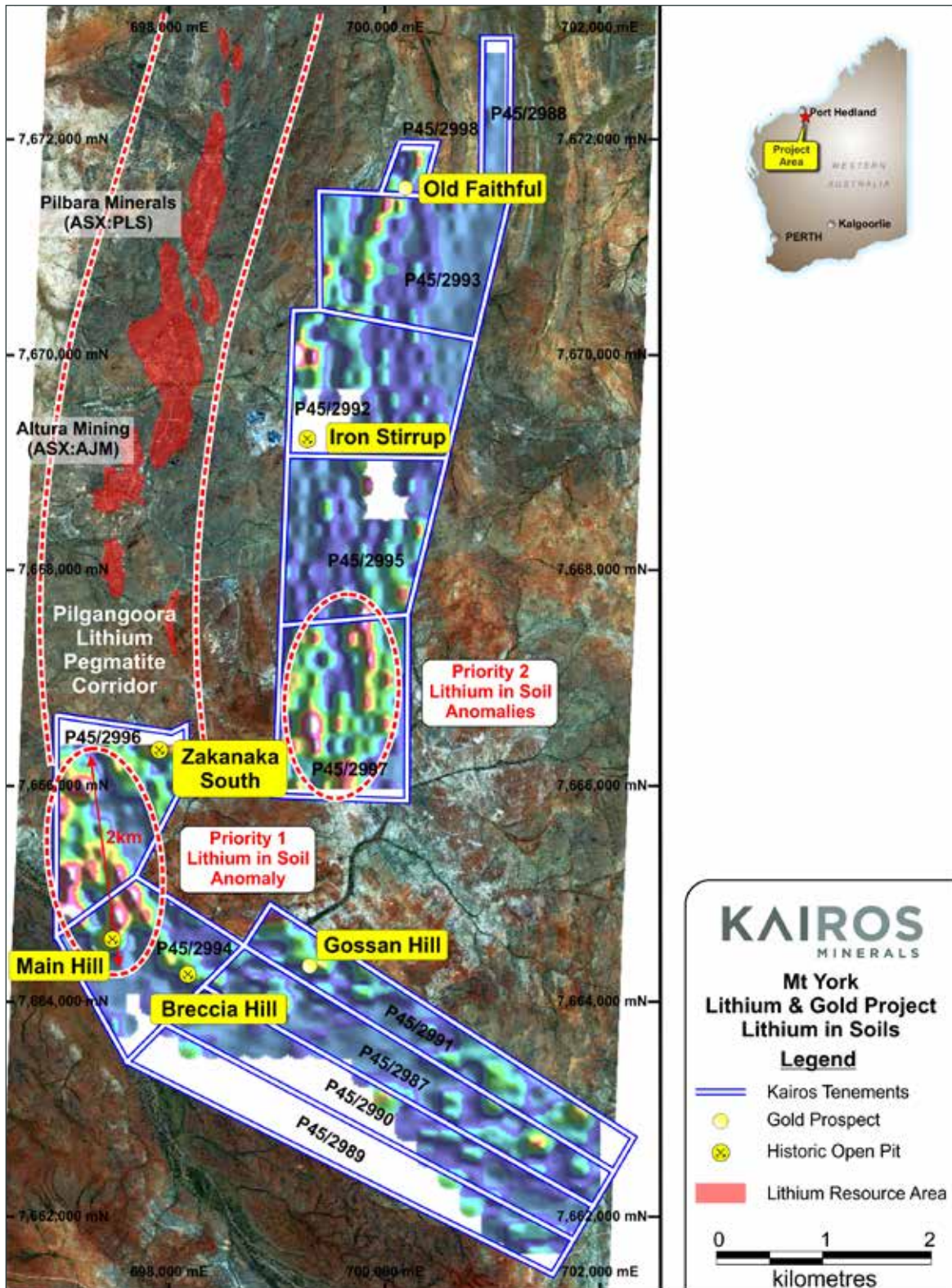


Figure 21 – Mt York Project, Lithium Targets

The presence of both outcropping and blind or subsurface pegmatites within Kairos' tenure is confirmed by historical mapping and in the geological logs of historical gold-focused drill holes which record pegmatites and/or pegmatite related lithologies in most areas that have been subjected to drill testing.

In order to assess the potential of Kairos' Mt. York Project to host sub-surface pegmatites the Company's geological and geophysical consultants, Newexco, recently completed a review of the historical gold-focused drilling database. Multiple holes report widely distributed pegmatites and pegmatite associated lithologies at relatively shallow depths within most areas that have been subjected to previous drilling.

Based on the very promising exploration results and data received to date, a Permit-of-Works has now been finalised for submission. A drilling schedule will be confirmed upon receipt of statutory approvals.

PILBARA REGIONAL LITHIUM PROJECTS

The Wodgina East Project is located 90km south-east of Port Hedland, and lies in the heart of one of the world's most significant emerging mining centres for lithium and tantalum, in close proximity to several existing and emerging strategic metals operations. It is strategically situated immediately adjacent to Global Advanced Metals' Wodgina Tantalum Mine, one of the world's largest hard rock tantalum resources, and is located ~17km to the south-west of the lithium projects held by Pilbara Minerals and Altura Mining.

The area remains essentially unexplored for Lithium due to an historical focus on the production of Tantalum.

The Company further expanded its portfolio through new tenement acquisitions that include three new projects in the Pilbara region which complement the Company's flagship Mt York and Wodgina East Projects.

These comprise:

- ▶ The Croydon Project – 182.4km²;
- ▶ The Southern Pride Project – 383.7km²; and
- ▶ The Taipan Project – 108.9km².

The acquisitions bring Kairos' total Lithium exploration footprint in the Pilbara region to 1,158.7km² making the Company one of the most significant emerging Lithium companies in the region.

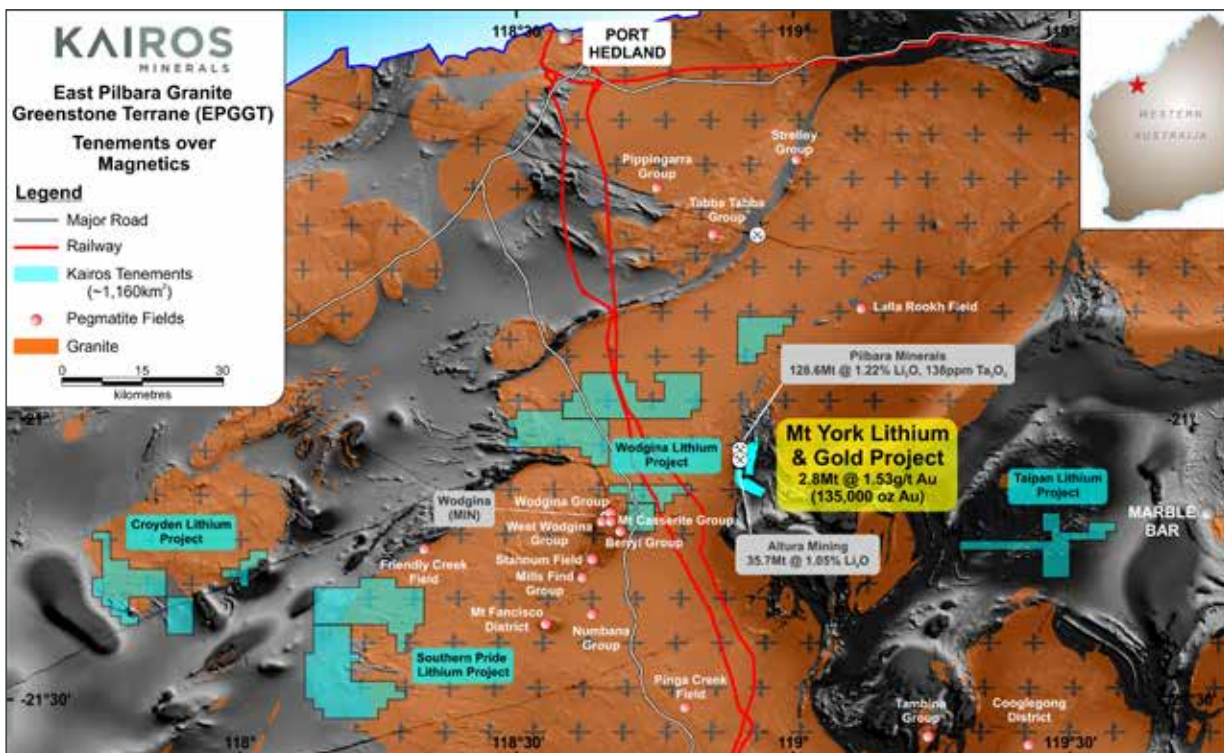


Figure 22 – East Pilbara Lithium Projects

ROE HILLS NICKEL PROJECT

The Roe Hills Project is located approximately 120 km east-southeast of Kalgoorlie and 70 km's due east of WA's premier nickel sulphide mining and processing centre of Kambalda in the Eastern Goldfields of Western Australia.

Kairos is exploring the Roe Hills Project area for Kambalda Style - Komatiite/Ultramafic Hosted primary and structurally re-mobilised high grade massive nickel sulphide mineralisation.

The Project comprises 3 Granted Exploration Licenses, 2 Pending Exploration Licenses and 5 Pending Prospecting Licenses for 324km². Roe Hills secures a 40km strike length of highly prospective terrain comprising at least 5 separate ultramafic belts. Structural repetition of the sequence via folding and faulting is interpreted to have significantly increased the amount of prospective ultramafic contact available to explore.

Low to medium grade disseminated and higher grade matrix and narrow massive Nickel Sulphides have been identified in previous work at the Talc Lake, Roe1 and Roe2 Prospects confirming the fertility of the sequence.

Historical exploration was sporadic, predominantly gold focused, and directed towards relatively limited areas of outcrop, ie Talc Lake, Roe1. The remainder of the target sequences occur beneath a veneer of residual and transported cover of variable thickness and remain under-explored. Below a vertical depth of 150m, the entire project is essentially unexplored at depth.

Table 4: Historical intercepts for Talc Lake

| Hole ID | Section (N) | EOH | Dip | Azi | From | Intersection | Comments |
|---------|-------------|------|-----|-----|------|----------------------------|------------------------|
| ROE 102 | 6537720 | 1200 | -60 | 90 | 68 | 2m @ 0.38% Ni | H/W Mineralisation |
| ROE 103 | 6537720 | 90 | -60 | 90 | 60 | 2m @ 0.49% Ni | Contact Mineralisation |
| ROE 106 | 6537640 | 120 | -60 | 90 | 108 | 2m @ 0.53% Ni & 0.09% Cu | Contact Mineralisation |
| ROE 107 | 6537640 | 90 | -75 | 90 | 58 | 2m @ 0.32% Ni | Contact Mineralisation |
| ROE 108 | 6537640 | 120 | -60 | 90 | 50 | 2m @ 0.52% Ni & 0.08% Cu | Contact Mineralisation |
| ROE 109 | 6537640 | 90 | -60 | 90 | 64 | 4m @ 0.36% Ni | Contact Mineralisation |
| ROE 113 | 6537480 | 90 | -60 | 90 | 74 | 4m @ 0.38% Ni & 0.17% Cu | Contact Mineralisation |
| ROE 136 | 6537720 | 204 | -60 | 90 | 122 | 2m @ 0.31% Ni | Contact Mineralisation |
| ROE 137 | 6537720 | 188 | -60 | 90 | 58 | 2m @ 0.46% Ni | H/W Mineralisation |
| ROE 146 | 6537800 | 132 | -60 | 90 | 52 | 4m @ 0.42% Ni | Contact Mineralisation |
| ROE 114 | 6537400 | 285 | -60 | 90 | 155 | 0.5m @ 6.15% Ni & 0.38% Cu | H/W Mineralisation |

Table 5: Historical intercepts for ROE1

| Hole ID | Section (N) | EOH | Dip | Azi | From | Intersection | Comments |
|---------|-------------|-----|-----|-----|------|----------------|--------------------|
| ROE119 | 6557900 | 160 | -60 | 90 | 118 | 2m @ 0.51% Ni | H/W Mineralisation |
| ROE135 | 6559100 | 100 | -60 | 90 | 60 | 16m @ 0.30% Ni | H/W Mineralisation |
| ROE143 | 6558820 | 180 | -60 | 90 | 74 | 2m @ 0.4% Ni | H/W Mineralisation |
| ROE145 | 6558660 | 174 | -60 | 90 | 124 | 2m @ 0.47% Ni | H/W Mineralisation |

Table 6: Historical intercepts for ROE2

| Hole ID | Section (N) | EOH | Dip | Azi | From | Intersection | Comments |
|---------|-------------|-----|-----|-----|-------|-----------------|------------------------|
| ROE2 | 6553320 | 283 | -60 | 90 | 241.4 | 8.6m @ 0.45% Ni | Contact Mineralisation |

During the reporting period Kairos continued to advance its Nickel sulphide assessment of the belt whilst concomitantly progressing an evaluation of the Gold mineralisation potential of the region. This included an extensive multi-disciplinary exploration campaign comprising historical data evaluation, petrological studies, detailed geological field mapping, high powered surface and downhole electrical geophysical surveys and diamond drilling.

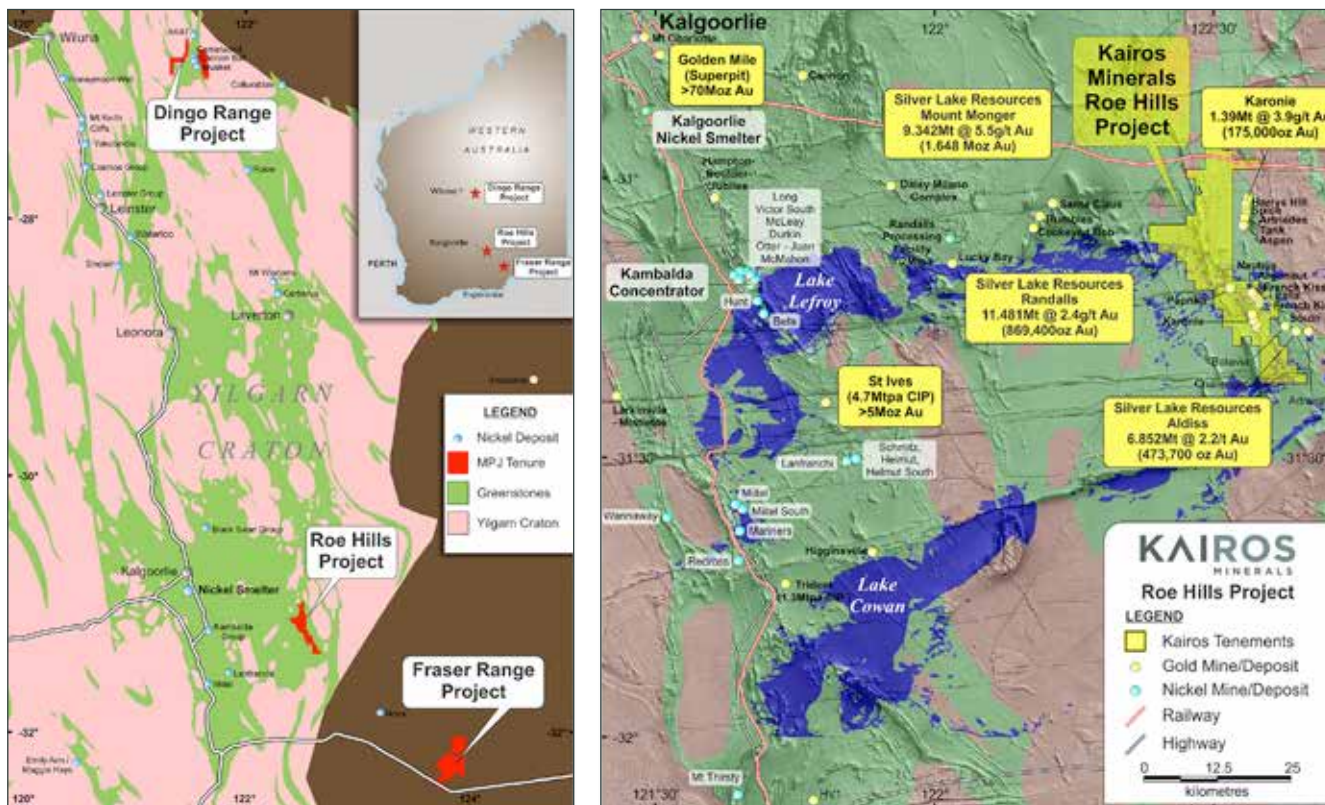


Figure 23 – Roe Hills Project Location, Western Australia

Geophysical surveys continued during the period under the guidance of Newexco for totals of 144 line km's of MLEM; 7.9 line km's of FLEM, whilst DHEM was completed in 35 holes.

Drilling re-commenced during the period and a total of 18 RCP/diamond drillholes were completed for a total of 5491.3m (RHDD0015 – RHDD0032). All of the drilling was undertaken by DDH1 Drilling of Perth WA consistently averaging in excess of 80m/day over 2 x 12 hour shifts.

The focus of the drilling during the period was to assess the potential of several key wide spaced prospects in order to establish the prospectivity of the largely under-explored broader sequence at Roe Hills.

Significant results included:

NICKEL

- ▶ Disseminated nickel sulphides – ROE2, RHDD0022
- ▶ Disseminated and remobilised nickel sulphides – Talc Lake , RHDD0023/28
- ▶ Disseminated & blebby nickel sulphides – Hooton, RHDD0015/25
- ▶ Disseminated nickel sulphides – Talc Lake East, RHDD0026/27
- ▶ Disseminated nickel sulphides – Narrow Neck, RHDD0029/30/31
- ▶ Disseminated & remobilized nickel sulphides – Point Perchance, RHDD0032

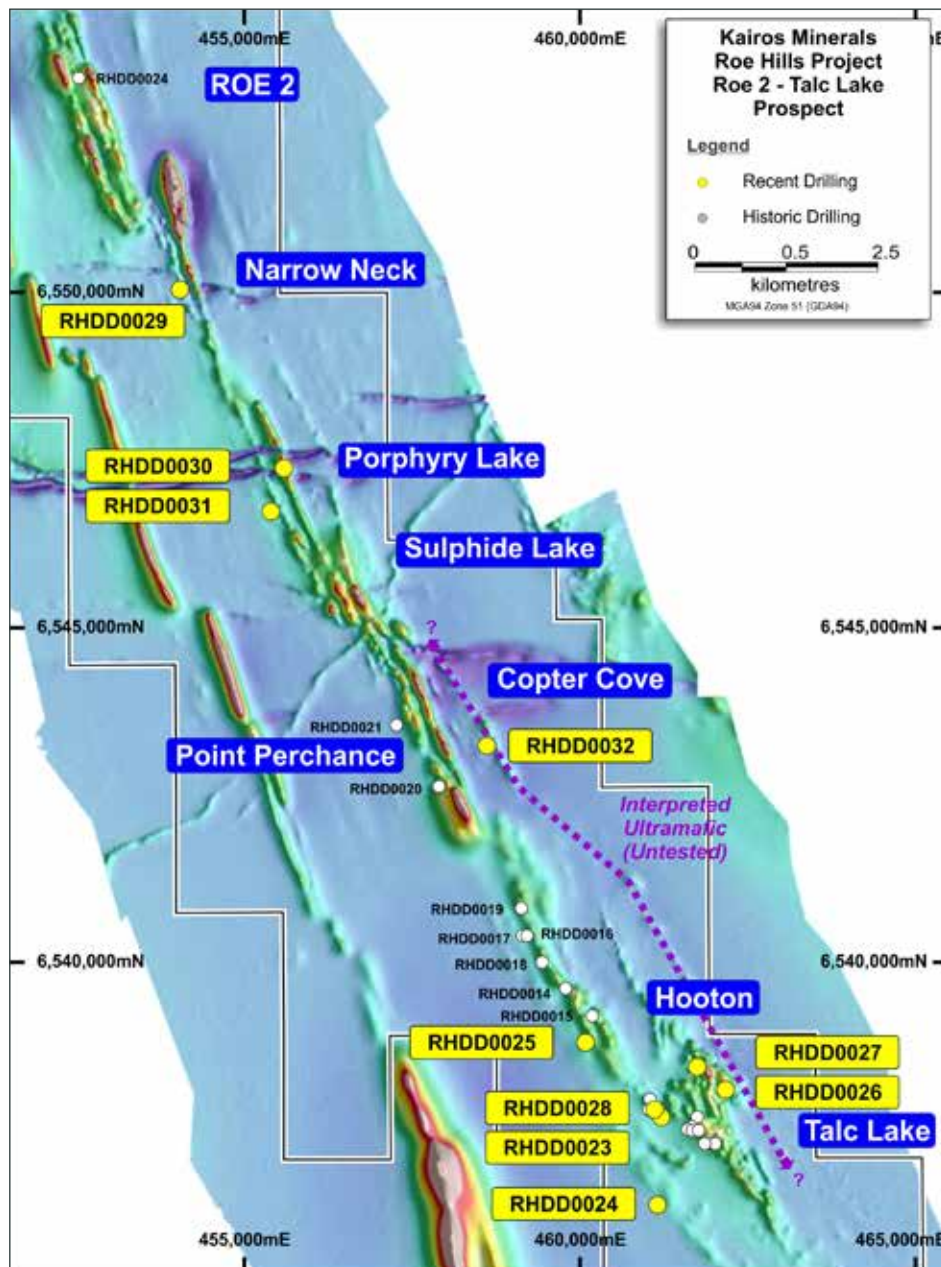


Figure 24 – Roe Hills Drill Hole Locations

Numerous high priority coincident geological/geochemical/geophysical drill ready targets have been defined at all prospects.

Of particular interest is an off-hole conductor located on the interpreted basal contact of the recently identified Eastern Ultramafic at Talc Lake. The conductor was identified during a DHEM survey of hole RHDD0027 (Figure 5) which encountered several broad zones of low tenor disseminated nickel sulphides above a barren, possibly fault affected basal contact. Importantly no black shale or sulphidic sediments which may explain the conductor have been observed at this contact and the possibility remains high that it represents a basal accumulation of massive nickel sulphide.

A systematic evaluation of this and other high priority targets will be undertaken during the 2016 field season.

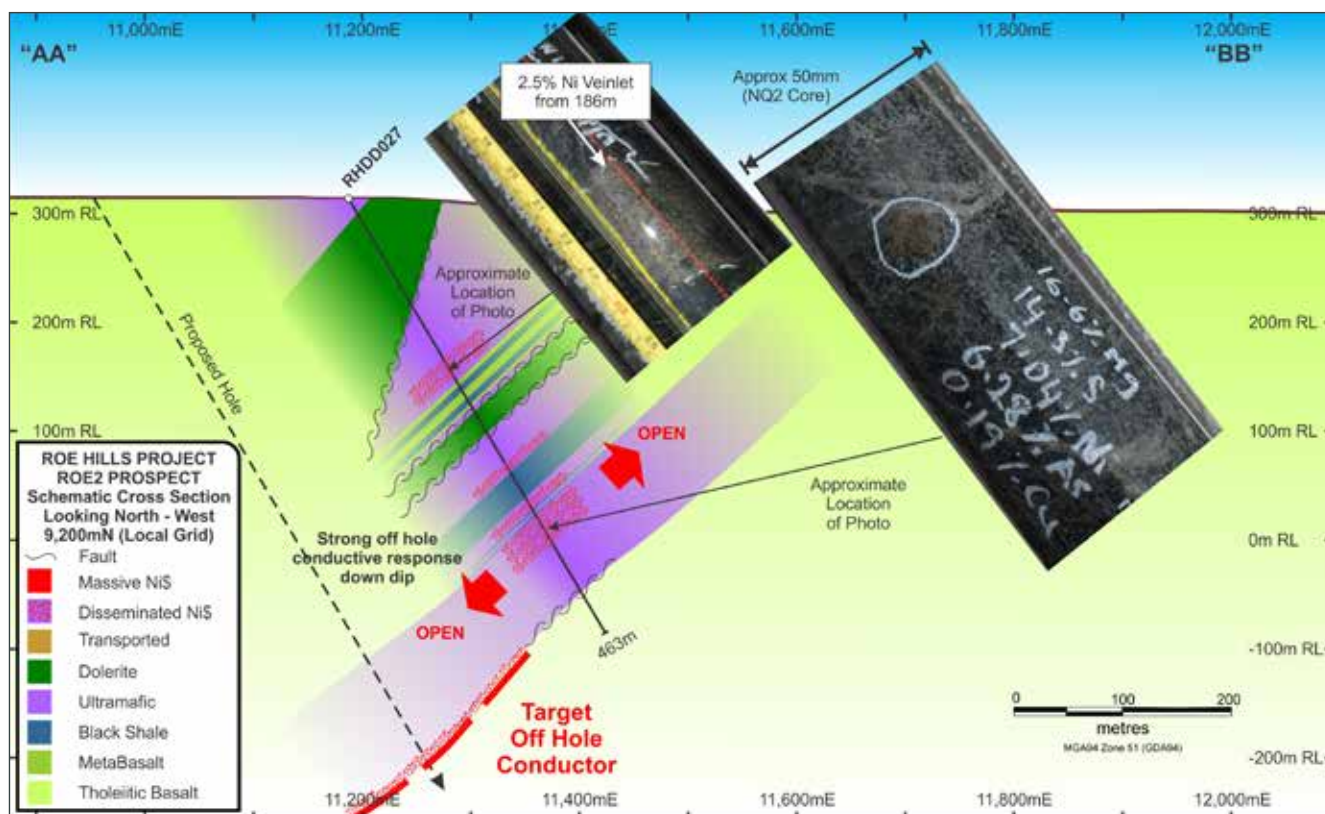


Figure 25 – Schematic Cross Section on 9,200mN Local Grid

This work has been designed to test for extensions/repetitions of known mineralisation and to unlock the potential of the broader Roe Hills Project.

Key elements of the Company's exploration activities at Roe Hills during the financial year included:

- ▶ 18 diamond drill holes completed for 5491.3m
- ▶ Significant disseminated, blebby and veinlet massive nickel bearing sulphides identified in numerous holes – final assays pending
- ▶ Initial testing of previously unexplored eastern, interpreted basal, sequence at Talc Lake confirms mineralisation & prospectivity
- ▶ Results support exploration methodologies and targeting
- ▶ 144 line km of MLEM geophysical surveys completed
- ▶ 7.9 line km's of FLEM geophysical surveys completed
- ▶ DHEM geophysical surveys completed in 35 holes
- ▶ Petrographic studies in progress to characterise host lithologies/NiS species Detailed mapping, geological/ structural interpretation and historical data compilation ongoing

- ▶ Interpretation, targeting, program planning
- ▶ Assessment of historical gold exploration confirms Gold potential

FRASER RANGE PROJECT (KAI 100%)

The Fraser Range East Project comprises 2 exploration licenses totaling 601.4km². The project geology potentially represents strike extensions to the sequences which host the Nova/Bollinger Nickel/Copper deposits located approximately 70km to the North West. The area remains largely unexplored utilising modern techniques.

Ongoing work includes:

- ▶ Project review;
- ▶ Data compilation; and
- ▶ Targeting.

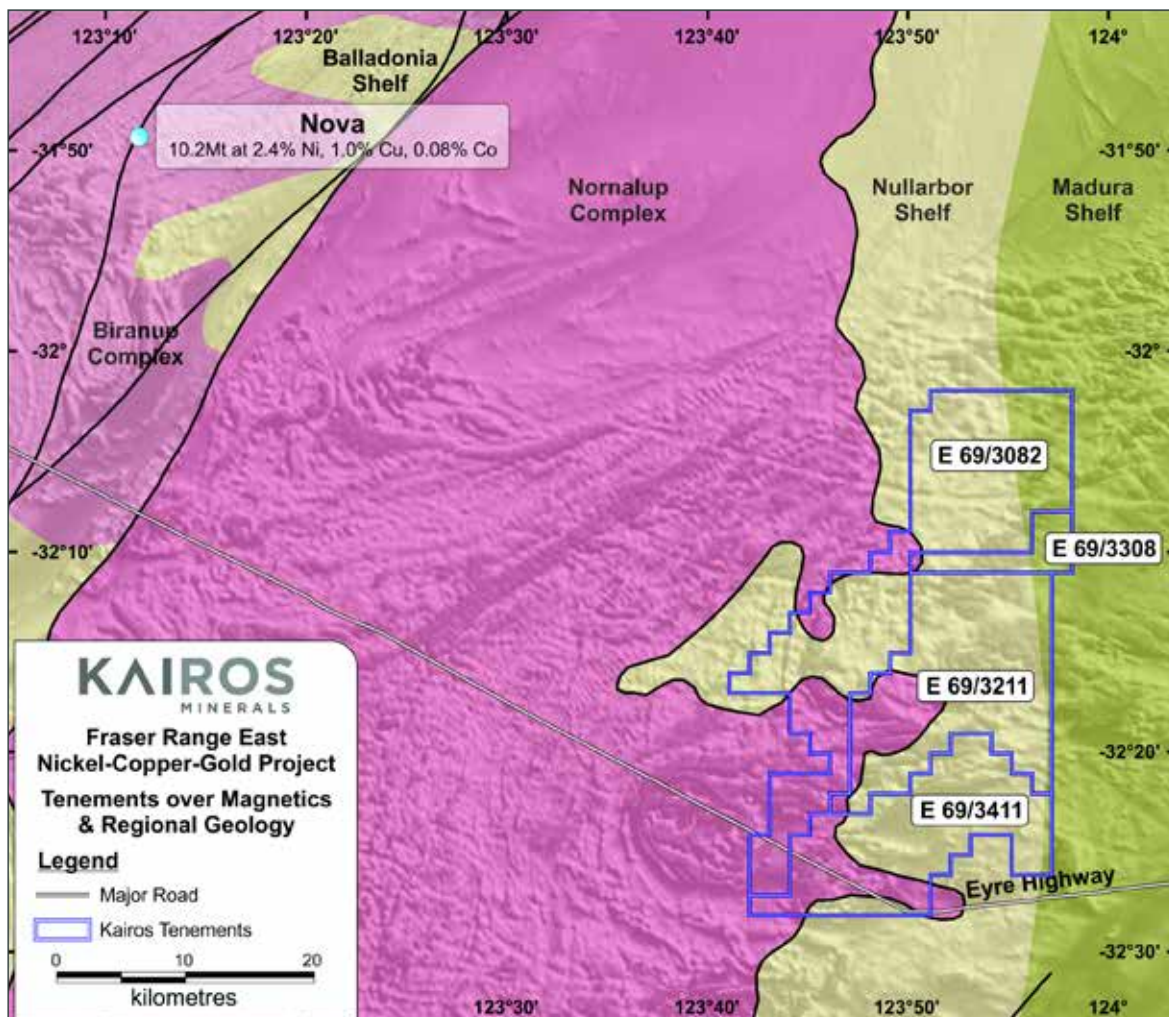


Figure 26 – Fraser Range Project Location, Western Australia

DINGO RANGE PROJECT (KAI 100%)

The Dingo Range Project includes four mineral tenures comprising a total area of 326.8km². The tenements border the Rox Resource's Mt Fisher Project that includes the Camelwood & Musket Nickel Rox has an updated Mineral Resource of 4.2 Mt @ 1.9% Ni for 78,000 tonnes of contained Nickel metal was released during the quarter (ASX:RXL 5 February 2016).

Ongoing work includes:

- ▶ Project review;
- ▶ Data compilation; and
- ▶ Targeting.

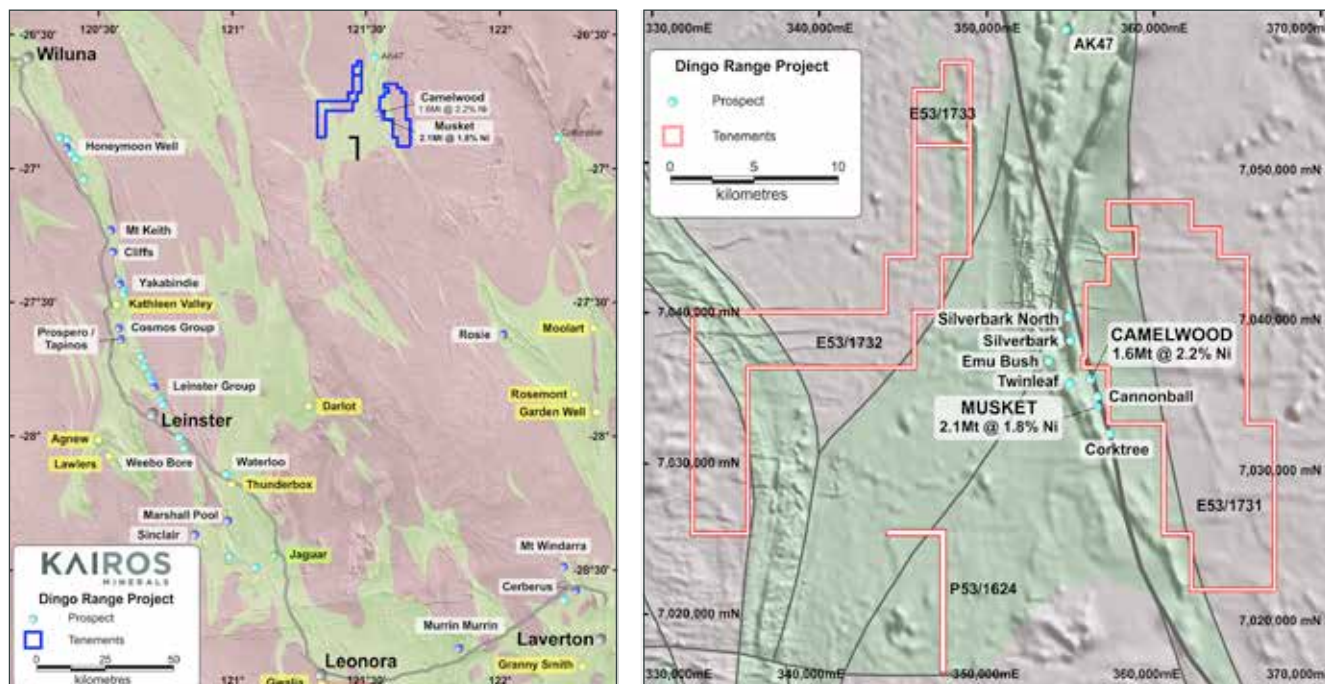


Figure 27 & 28 – Dingo Range Project Location, Western Australia



COMPETENT PERSON STATEMENT:

Competent Person: The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled and reviewed by Mr Steve Vallance, who is the Technical Manager for Kairos Minerals Ltd and who is a Member of The Australian Institute of Geoscientists. Mr Vallance has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' (the JORC Code 2012). Mr Vallance has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears. The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.

REFERENCES

| Kairos Minerals Limited (ASX: KAI) - 2015/2016 | | |
|--|--|-----------|
| Date | Title | Reference |
| 29/07/2016 | Drilling Commences At Key Gold and Lithium Targets – Mt York | 1 |
| 27/09/2016 | KAI Gears Up To Drill Gold Targets – Roe Hills | 2 |
| 21/07/2016 | KAI identifies exceptional Gold & Lithium targets – Mt York | 3 |
| 30/08/2016 | KAI Identifies Multiple High Grade Gold Targets – Roe Hills | 4 |
| 01/08/2016 | KAI Initial JORC 2012 Gold Resource of 135,000oz – Mt York | 5 |
| 29/07/2016 | Kairos Minerals – Quarterly Report June 2016 | 6 |
| 02/05/2016 | Mining Projects Group – Quarterly Report March 2016 | 7 |
| 30/01/2016 | Mining Projects Group – Half Yearly Report December 2015 | 8 |
| 28/01/2015 | Mining Projects Group – Quarterly Report December 2015 | 9 |
| 18/05/2015 | Mining Projects Group – Quarterly Report September 2016 | 10 |



CORPORATE

CHANGE OF NAME AND CONSOLIDATION

On 14th April 2016, the Company held a shareholders meeting, whereby all shareholder resolutions were passed without amendment, including the change of Company name to **Kairos Minerals Limited (ASX: KAI) (previously Mining Projects Group, ASX: MPJ)** and the share consolidation on the basis of 10:1. The Company's new ASX issuer code is "**KAI**". The change of name reflects the start of growth chapter for the Company as it focuses on the exploration and evaluation of its premier lithium and gold assets in the emerging East Pilbara region of Western Australia.

KEY ACQUISITIONS

ACQUISITION OF MT YORK PROJECT

KAI paid the vendors a non-refundable deposit of \$20,000 and \$200,000 in cash and issued 200 million shares and 100 million unlisted options exercisable at 1c by June 30, 2017 (pre consolidated).

In addition, the Company has agreed to issue a further 10 million shares (post consolidation basis) when the tenements are granted. All these shares and options will be escrowed for 12 months.

Kairos has also agreed to issue the vendors "Milestone Shares" if certain JORC Resources of lithium or gold are established at Pilbara Lithium-Gold Project. These will be issued as follows:

- (i) 8 million shares (First Milestone Shares) on a mineral resource:
 - a. of at least 5 million tonnes at 1.2% Li₂O (lithium oxide); or
 - b. containing at least 500,000 ounces of gold, being identified within three years of the Completion Date on any or all of the Tenements and;
- (ii) 8 million shares (Second Milestone Shares) on a mineral resource:
 - a. of at least 15 million tonnes at 1.2% Li₂O; or
 - b. containing at least 1,000,000 ounces of gold, being identified within five years of the Completion Date on any or all of the Tenements.

ACQUISITION OF WODGINA EAST PROJECT

In continuation with the Board's strategy, the Company acquired the Wodgina East Project under the following terms:

- ▶ issue 40 million shares upon execution (pre-consolidated).
- ▶ issuing a further 2 million shares (post consolidated) when the Tenement Area is granted and completion takes place.

The Company has also agreed to issue the vendors "Milestone Shares" if certain Mineral Resources in accordance with the JORC 2012 Edition Guidelines of lithium are established within the Tenement Area. These will be issued as follows:

- (i) 1.5 million shares (First Milestone Shares) (consolidated) upon delineation of a Mineral Resource in accordance with JORC 2012 Edition Guidelines of no less 1.2% contained lithium established by or on behalf of the Purchaser within the Tenement Area; and
- (ii) 1.5 million shares (Second Milestone Shares) (consolidated) upon delineation of a Mineral Resource in accordance with JORC 2012 Edition Guidelines of no less than 10,000,000 tonnes of lithium oxide at a minimum grade of no less 1.2% contained lithium established by or on behalf of the Purchaser within the Tenement Area.



FUND RAISINGS

In August 2015, the Company completed a Placement to sophisticated investors via the issue of 200 million fully paid shares (pre-consolidated) at an offer price of A\$0.006 (0.6 cents) per share to raise A\$1.2 million before costs. The Placement came with a 1:2 free attaching MPJO option.

In February 2016, the Company placed 300 million (pre-consolidated) new fully paid ordinary shares at \$0.004 (0.4 cents) per share to raise \$1.2 million before associated costs to strategic and sophisticated investors Placement. The Placement was issued with a 1:3 free attaching MPJO option.

In June 2016, the Company placed 24 million fully paid ordinary shares at an issue price of \$0.05 per Share, raising \$1.2 million before costs.

In July 2016, the Company successfully completed a pro-rata non-renounceable rights issue raising \$4.04 million before costs through the issues of 80,763,903 fully paid ordinary shares. In addition, the Company made an offer to holders of listed options exercisable at \$0.10 and expiring 30 June 2016 (Expiring Listed Options) on the basis of one new option (New Option) for every Expiring Listed Option held on the date they expire. The New Options were offered at an issue price of \$0.005 (0.5 cents) each and raised approximately \$700,000. The offer was completed whereby a total of 140,852,158 options were issued.

APPOINTMENT OF DIRECTOR

In March 2016, the Company appointed Mr Ian Finch to its Board as Chairman. The appointment of Mr Finch complimented its investment into key lithium-gold assets in Australia.

Mr Finch is a geologist with over 45 years' experience in mining, exploration and corporate management and has worked extensively throughout Southern Africa, Indonesia and Australia. He is Chairman of Tyranna Resources Ltd (ASX: TYX), which was the principal vendor of the Mt. York Project currently being acquired by KAI (see ASX Announcements of 28 January 2016 and 1 March 2016). Mr Finch is also a non-executive Director of emerging Brazilian gold producer Orinoco Gold Ltd (ASX: OGX), which is scheduled to commence commissioning of its Cascavel Gold Project later this month. In the early part of his career, Mr Finch worked as a mining and exploration geologist for Anglo American in Zambia, Zimbabwe and South Africa, and was principal geologist for CRA Exploration (Rio Tinto) based in South Australia, driving major exploration programs. He later established and listed Taipan Resources Ltd, which pioneered exploration for large gold deposits in the Ashburton District of Western Australia, as well as Trafford Resources, which discovered large deposits of high-grade iron ore in the northern Eyre Peninsula of South Australia. He was previously founding Chairman of ASX-listed Robust Resources Ltd, Bannerman Resources Ltd and President of Canadian-listed Goldminco Corporation. Mr Finch has an Honours Degree in Geology from the University of Birmingham in England and has been a member of the Australasian Institute of Mining and Metallurgy for the past 35 years.





DIRECTORS' REPORT

The Board of Directors of Kairos Minerals Limited and its subsidiaries ('the Consolidated Entity') present their report for the year ended 30 June 2016.

DIRECTORS

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

| | |
|--|---|
| Mr Joshua Wellisch | Managing Director |
| <i>First appointed to the Board</i> | 28 March 2013 |
| <i>Experience</i> | Mr Wellisch is a corporate professional and company director whose career has included acquisition and management of mineral geological projects in the energy and minerals sector. Mr Wellisch has held several private and public board positions in various capacities over the past 11 years. He has a breadth of experience in capital raisings, corporate structuring and public company transactions predominantly in the mining and exploration sector. |
| <i>Qualification</i> | Bachelor of Science in Information Technology and Post Graduate Diploma in Project Management. |
| <i>Interest in shares and options¹</i> | 4,150,000 ordinary shares and 6,000,000 options over ordinary shares. 3,850,000 Performance Rights as approved by shareholders on 28 July 2015. 5,000,000 Performance Rights as approved by shareholders on 29 July 2016. |
| <i>Directorships held in other listed entities</i> | Dakota Mineral Ltd (resigned 28 January 2016) |
| Mr Neil Hutchison | Non-Executive Director |
| <i>First appointed to the Board</i> | 15 April 2014 |
| <i>Experience</i> | Mr Hutchison is a geologist with over 15 years' experience in conducting regional exploration, target generation, resource drill out, project reviews and evaluations, as well as managing the nickel exploration group at the highly successful Cosmo Nickel Project. |
| <i>Interest in shares and options¹</i> | 2,126,667 ordinary shares and 1,500,000 options over ordinary shares. 766,667 Performance Rights as approved by shareholders on 28 July 2015. 1,000,000 Performance Rights as approved by shareholders on 29 July 2016. |
| <i>Directorships held in other listed entities</i> | Nil |

DIRECTORS' REPORT

| | |
|--|---|
| Mr Ian Finch | Non-Executive Director / Chairman |
| First appointed to the Board | 3 March 2016 |
| Experience | Mr Finch is a geologist with over 45 years' experience in mining, exploration and corporate management and has worked extensively throughout Southern Africa, Indonesia and Australia. Mr Finch has an Honours Degree in Geology from the University of Birmingham in England and has been a member of the Australian Institute of Mining and Metallurgy for the past 35 years. |
| Interest in shares and options¹ | 900,000 ordinary shares. 1,800,000 Performance Rights as approved by shareholders on 29 July 2016. |
| Directorships held in other listed entities | Orinoco Gold Ltd |
| <hr/> | |
| Mr Dehong Yu | Non-Executive Director |
| First appointed to the Board | 15 July 2013 |
| Resigned from the Board | 15 August 2016 |
| Experience | Mr Yu is a business development executive with over 20 years' experience in international trade relations. He established his business operation in Australia within property development and expanded into mining exploration utilizing his extensive network of Chinese investors. He brings to the Board his experience in mining exploration investment and access to his network of investors. |

¹ The relevant interests of each Director in shares and options as at the date of this report

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

COMPANY SECRETARY

Mr Adrien Wing, a CPA qualified and works with a number of public companies listed on the Australian Securities Exchange as a corporate/accounting consultant and company secretary, has held the position of Company Secretary from 2 October 2013.

PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the financial year was resource exploration and investment.

There have been no significant changes in the nature of those principal activities during the financial year not disclosed elsewhere in the Annual Report.

DIVIDENDS

The Directors did not pay any dividends during the financial year. The Directors do not recommend the payment of a dividend in respect of the 2016 financial year.

EARNINGS PER SHARE

Basic loss per share: 0.12 cents (2015: 0.11 cents)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

In accordance with shareholder approval at a General Meeting held on 29 July 2016, the following events occurred:

1. The prior issue of 6,000,000 shares and 6,000,000 old options to Mr Brian Naylor was ratified;
2. The prior issue of 4,000,000 shares to the Wodgina Vendors, as part consideration for the acquisition of the Wodgina East Lithium-Tantalum Project was ratified;
3. The prior issue of 24,000,000 shares at an issue price of \$0.05 per share (placement) was ratified;
4. The prior issue of 4,314,161 shares to BW Equities at an issue price of \$0.0001 per share was ratified;
5. Approval for the issue of up to 140,852,158 New Options exercisable at \$0.10 each on or before the first anniversary of the date of issue at an issue price of \$0.005 (0.5 cents) per New Option;
6. Approval for the issue of 5,000,000 New Options to BW Equities (or its nominee);
7. Approval for the issue of 10,000,000 shares to Tyranna Resources and Tribal Mining as part consideration for the acquisition of the Pilbara Lithium-Gold Project;
8. Approval for the issue of 1,276,096 shares to Factor Resources as consideration for the provision of corporate advisory services and asset acquisition fees in respect of the acquisition of the Pilbara Lithium-Gold Project from Tyranna Resources by the Company;
9. Approval for the issue of 1,012,436 shares to Kenzou Investments as consideration for the asset acquisition fees in respect of the acquisition of the Pilbara Lithium-Gold Project from Tyranna Resources by the company;
10. Approval of a) 2,500,000 Series D Performance Rights; b) 2,500,000 Series E Performance Rights; and c) 2,500,000 Series Performance Rights to Joshua Wellisch (and/or his nominee) under the Performance Rights Plan;
11. Approval of a) 900,000 Series D Performance Rights; b) 900,000 Series E Performance Rights; and c) 900,000 Series Performance Rights to Ian Finch (and/or his nominee) under the Performance Rights Plan;
12. Approval of a) 500,000 Series D Performance Rights; b) 500,000 Series E Performance Rights; and c) 500,000 Series Performance Rights to Neil Hutchinson (and/or his nominee) under the Performance Rights Plan; and
13. Approval of a) 500,000 Series D Performance Rights; b) 500,000 Series E Performance Rights; and c) 500,000 Series Performance Rights to Dehong Yu (and/or his nominee) under the Performance Rights Plan.

On 15 August 2016, the Company announced that Mr Dehong Yu resigned as director, with immediate effect to pursue other business interests.

On 28 July 2016, the Company announced the results of rights issue offer that closed on 22 July 2016. Eligible shareholders were offered to subscribe to new fully paid ordinary shares (New Shares) in the Company at an issue price of \$0.05 per New Share on the basis of two New Shares for every seven shares held at 8 July 2016. A total of 17,333,423 New shares have been subscribed for under an Entitlement Offer raising approximately \$866,671. In addition, the Company placed the shortfall of 63,430,481 New Shares under the Entitlement Offer raising approximately \$3,171,000.

On 17 August 2016, the Company Announced that quotation of 153,352,158 options having an exercise price of \$0.10 and an expiry date of 5 August 2017 will take place on 19 August 2016. These options were previously denoted as unquoted. Upon quotation, the options will have the ASX code 'KAIOE'.

On 9 September 2016, the Company issued 6,700,000 shares upon achieving applicable milestone under Series F of the existing Performance Rights. Performance rights held were converted to shares. In addition, 25,030 shares were issued at \$0.10 per share regarding the exercise from options ('KAIO').

Other than the matters listed above, no other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Consolidated Entity, the result of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The likely developments in the Consolidated Entity's operations, to the extent that such matters can be commented upon, are covered in the Review of Operations contained elsewhere in this Annual Report. In the opinion of the Directors, disclosure of information regarding the expected results of those operations in financial years after the current financial year is not predictable at this stage. Accordingly, this information has not been included in this Report.

REVIEW AND RESULTS OF OPERATIONS

The Consolidated Entity's net loss after income tax for the financial year was \$2,037,730 (2015: \$1,447,470). The Review of Operations provides further details regarding the progress made by the Consolidated Entity since the prior financial year, which has contributed to its results for the year.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity holds participating interests in a number of exploration licences. The various authorities granting such licences require the holder to comply with directions given to it under the terms of the grant of the licence.

The Board is not aware of any breaches of the Consolidated Entity's licence conditions.

MEETINGS OF DIRECTORS

During the financial year, 15 meetings of Directors were held. Attendances by each Director during the year were as follows:

| | Directors' Meetings | |
|---------------------------|---------------------|---------------------------|
| | Number attended | Number eligible to attend |
| Mr Joshua Wellisch | 14 | 15 |
| Mr Ian Finch ¹ | 4 | 4 |
| Mr Dehong Yu ² | 15 | 15 |
| Mr Neil Hutchison | 15 | 15 |

¹ Appointed as a Director/Chairman 3rd March 2016

² Resigned as a Director 15th August 2016

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OTHER OFFICERS

The company has not indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

43

OPTIONS OVER UNISSUED SHARES

At the date of this report, the unissued ordinary shares of Kairos Minerals Limited under option are as follows:

| ASX Code | Number under option | Date of Expiry | Exercise Price |
|----------|---------------------|------------------|----------------|
| KAIOE | 153,352,158 | 5 August 2017 | \$0.10 |
| KAIAO | 2,000,000 | 21 August 2017 | \$0.10 |
| KAIAO | 2,000,000 | 21 August 2017 | \$0.20 |
| KAIAO | 2,000,000 | 21 August 2017 | \$0.25 |
| KAIAQ | 1,500,000 | 30 December 2017 | \$0.10 |
| KAIAS | 750,000 | 23 May 2017 | \$0.10 |
| KAIAS | 750,000 | 23 May 2017 | \$0.20 |
| KAIAA | 10,000,000 | 30 June 2017 | \$0.10 |

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Kairos Minerals Limited.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the year ended 30 June 2016 46,084 options were exercised at a cost of 10 cents per option (2015: 426,973 pre consolidated at 1.5 cents per option).

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Consolidated Entity, or to intervene in any proceedings to which the Consolidated Entity is a party, for the purpose of taking responsibility on behalf of the Consolidated Entity for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Consolidated Entity with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

No fees for non-audit services were paid or payable to the external auditor of the Parent Entity during the year ended 30 June 2016 (2015: nil).

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, for the year ended 30 June 2016 has been received and can be found in the section titled 'Auditor's Independence Declaration' within this Annual Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Consolidated Entity support, and adhere to, good corporate governance practices. Refer to the Company's Corporate Governance Statement at www.kairosminerals.com.au.

REMUNERATION REPORT (AUDITED)

The information provided under Sections A to F includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures.

The information in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

This report details the nature and amount of remuneration for each Director and Key Management Personnel of the Consolidated Entity.

The Directors and Key Management Personnel of the Consolidated Entity during the year were:

Mr Joshua Wellisch *Managing Director*
(Appointed 28th March 2013)

Mr Dehong Yu *Non-Executive Director*
(Appointed 15th July 2013)
(Resigned 15th August 2016)

Mr Neil Hutchison *Non-Executive Director*
(Appointed 15th April 2014)

Mr Ian Finch *Chairman*
(Appointed 3rd March 2016)

Mr Adrien Wing *Company Secretary*
(Appointed 2nd October 2013)

SECTION A: PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

REMUNERATION GOVERNANCE

The remuneration of all Executive and Non-Executive Directors, Officers and Employees of the Consolidated Entity is determined by the Remuneration Committee, whose responsibilities are addressed by the Board as a whole.

The Consolidated Entity is committed to remunerating Senior Executives and Executive Directors in a manner that is market-competitive and consistent with "Best Practice" including the interests of Shareholders. Remuneration packages are based on fixed and variable components, determined by the Executives' position, experience and performance, and may be satisfied via cash or equity.

Non-Executive Directors are remunerated out of the aggregate amount approved by Shareholders and at a level that is consistent with industry standards. Non-Executive Directors do not receive performance based bonuses and prior Shareholder approval is required to participate in any issue of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

Voting at the Company's 26 November 2015 Annual General Meeting ("AGM")

The Company received 98.2% of "for" votes in relation to its remuneration report for the year ended 30 June 2015.

REMUNERATION POLICY VERSUS CONSOLIDATED ENTITY FINANCIAL PERFORMANCE

Over the past 5 years the Consolidated Entity has continued to acquire and maintain many participating interests in mining projects and companies that Directors believe have the potential to provide ongoing benefits to Shareholders. This is represented by the Consolidated Entity's interests in public and private companies, and direct participation in mining projects and joint ventures.

Some of the Consolidated Entity's investments have been realised over the past years and have provided trading profits and cash in-flows to fund ongoing activities. A number of projects and joint ventures are not at a stage where production or positive cash flows have been established, which may affect the Consolidated Entity's current performance and shareholder wealth.

The Consolidated Entity's earnings in the past 5 years have remained negative which is due to the nature of the Consolidated Entity as an early stage mining Company. Shareholder wealth reflects this speculative and volatile market sector. No dividends have ever been declared by the Consolidated Entity.

The earnings of the consolidated entity for the five years to 30 June 2016:

| | |
|--------------------------------|---------------|
| Loss financial year ended 2016 | (\$2,037,730) |
| Loss financial year ended 2015 | (\$1,447,470) |
| Loss financial year ended 2014 | (\$2,585,273) |
| Loss financial year ended 2013 | (\$5,263,314) |
| Loss financial year ended 2012 | (\$2,971,131) |

Factors that are considered to affect total shareholder return are summarised below:

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------|--------|--------|--------|--------|
| Share price at financial year end (\$A) | 0.005 | 0.008 | 0.005 | 0.004 | 0.009 |
| Basic earnings per share (cents per share) | (0.12) | (0.11) | (0.11) | (1.57) | (2.90) |

Directors have been compensated for work undertaken and the responsibilities assumed in being Directors of this Consolidated Entity based on industry practice, as opposed to the Consolidated Entity's performance which is difficult to ascertain given the nature of the activities undertaken, as described above.

PERFORMANCE BASED REMUNERATION

The purpose of a performance bonus is to reward individual performance in line with the Consolidated Entity's objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Consolidated Entity. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Consolidated Entity uses a variety of KPI's to determine achievement, depending on the role of the executive being assessed, these include successful contract negotiations. No performance based remuneration was granted during the reporting period (2015: \$ nil).

SECTION B: DETAILS OF REMUNERATION

DETAILS OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2016

The remuneration for each Director and Key Management Personnel of the Consolidated Entity during the year was as follows:

| FY 2015/16 | Short-term employee benefits | | | Post-employment benefits | Share-based payments | Total |
|------------------------------|------------------------------|-------|-----------------------|-----------------------------|----------------------|-----------|
| | Cash salary and fees | Other | Non-monetary benefits | Superannuation Contribution | Equity-settled | |
| | \$ | \$ | \$ | \$ | \$ | |
| Joshua Wellisch ¹ | 239,200 | - | - | - | 383,944 | 623,144 |
| Ian Finch ² | 20,000 | - | - | - | - | 20,000 |
| Dehong Yu ^{1&3} | 40,308 | - | - | - | 76,789 | 117,097 |
| Neil Hutchison ¹ | 36,667 | - | - | - | 76,789 | 113,456 |
| Adrien Wing ¹ | 73,500 | - | - | - | 153,578 | 227,078 |
| | 409,675 | - | - | - | 691,100 | 1,100,775 |

¹ Details of the equity issued to Directors can be found in "Section C: Share Based Compensation". Performance Rights of \$691,100 issued to the board approved by shareholders on 28 July 2015 detailed under 'Performance Income' below.

² Appointed 3 March 2016

³ Resigned 15 August 2016

DETAILS OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2015

The remuneration for each Director of the Consolidated Entity during the year ended 30 June 2015 was as follows:

| FY 2014/15 | Short-term employee benefits | | | Post-employment benefits | Share-based payments | Total |
|-----------------------------|------------------------------|-------|-----------------------|-----------------------------|----------------------|---------|
| | Cash salary and fees | Other | Non-monetary benefits | Superannuation Contribution | Equity-settled | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Joshua Wellisch | 192,000 | - | - | - | - | 192,000 |
| Angus Edgar ² | 40,000 | - | - | - | - | 40,000 |
| Dehong Yu | 40,132 | - | - | - | - | 40,132 |
| Neil Hutchison ¹ | 40,000 | - | - | - | 71,400 | 111,400 |
| Adrien Wing | 60,000 | - | - | - | - | 60,000 |
| | 372,132 | - | - | - | 71,400 | 443,532 |

¹ Details of the equity issued to Directors can be found in "Section C: Share Based Compensation". Equity settled share based payments for Neil Hutchison were 7,933,334 shares, paid in lieu of a cash payment and are not performance related.

² Resigned 21 November 2014

PERFORMANCE INCOME AS A PROPORTION OF TOTAL REMUNERATION (POST CONSOLIDATION BASIS)

All executives are eligible to receive incentives by the recommendation of the Board. The performance payments are based on a set monetary value, set number of shares, or options, or as a portion of base salary. There is no fixed proportion between incentive and non-incentive remuneration.

The number of performance incentives issued by the Company to key management personnel, including their personal related parties is as set out below:

| 2016 | Balance at start of the year | Received as compensation* | | Conversion No.** | Balance at the end of the year/ resignation date |
|------------------------|------------------------------|---------------------------|---------|------------------|--|
| | | No | \$ | | |
| Joshua Wellisch | | 5,500,000 | 383,944 | (1,650,000) | 3,850,000 |
| Dehong Yu ² | - | 1,100,000 | 76,789 | (333,333) | 766,667 |
| Neil Hutchison | - | 1,100,000 | 76,789 | (333,333) | 766,667 |
| Ian Finch ¹ | - | - | - | - | - |
| Adrien Wing | - | 2,200,000 | 153,578 | (666,666) | 1,533,334 |
| | - | 9,900,000 | 691,100 | (2,983,332) | 6,916,668 |

* Performance Rights of \$691,100 issued to the board approved by shareholders on 28 July 2015. Refer to "Section B: Details of Remuneration" above and Note 16(a) for disclosure of the assumptions used in valuing these performance rights. The initial number of performance rights issued was 99,000,000. The above table shows the number of performance rights issued at the post consolidation amount.

** Converted Series A performance rights to shares. Refer to "Section C: Share Based Compensation" set out below. The initial number of performance rights converted during the year 29,833,332. The above table shows the number of performance rights converted at the post consolidation amount.

¹ Appointed 3 March 2016

² Resigned 15 August 2016

SECTION C: SHARE BASED COMPENSATION

DETAILS OF SHARES ISSUED (POST CONSOLIDATION BASIS)

The number of shares in the Company held by key management personnel, including their personal related parties is as set out below:

| 2016 | Balance at start of the year | Performance Rights Converted ** | Received as salary | Issue Price | Net change other * | Balance at the end of the year/ resignation date |
|------------------------|------------------------------|---------------------------------|--------------------|-------------|--------------------|--|
| Joshua Wellisch | - | 1,650,000 | - | - | - | 1,650,000 |
| Ian Finch ¹ | - | - | - | - | - | - |
| Dehong Yu ² | 11,000,000 | 333,333 | - | - | - | 11,333,333 |
| Neil Hutchison | 1,293,334 | 333,333 | - | - | - | 1,626,667 |
| Adrien Wing | 900,000 | 666,666 | - | - | - | 1,566,666 |
| | 13,193,334 | 2,983,332 | | | - | 16,176,666 |

* The net change other column above includes those shares acquired and sold by Directors as well as shares issued during the year to Directors' for their participation in any placements/rights issues.

** Converted Series A performance rights to shares. Refer to "Section B: Details of Remuneration" set out above.

¹ Appointed 3 March 2016

² Resigned 15 August 2016

DETAILS OF OPTIONS ISSUED (POST CONSOLIDATION BASIS)

The number of Options over ordinary shares in the Company held by key management personnel, including their personal related parties is as set out below:

| 2016 | Balance at start of the year | Received as compensation | Options Exercised No. | Options Lapsed No. | Net change other * | Balance at the end of the year/ resignation date |
|-----------------|------------------------------|--------------------------|-----------------------|--------------------|--------------------|--|
| Joshua Wellisch | 6,000,000 | - | - | - | - | 6,000,000 |
| Ian Finch | - | - | - | - | - | - |
| Dehong Yu | 5,500,000 | - | - | - | - | 5,500,000 |
| Neil Hutchison | 1,500,000 | - | - | - | - | 1,500,000 |
| Adrien Wing | - | - | - | - | - | - |
| | 13,000,000 | - | - | - | - | 13,000,000 |

* The net change other column above includes those options that have been acquired and disposed of by Directors as well as options issued during the year for Directors' participation in any placements/rights issues.

**SECTION D: EMPLOYMENT CONTRACTS OF DIRECTORS
AND KEY MANAGEMENT PERSONNEL**

During the year ended 30 June 2016, there were no Employment Contracts of Directors and Key Management Personnel. No external remuneration consultants were engaged during the year.

**SECTION E: LOANS TO DIRECTORS AND OTHER
KEY MANAGEMENT PERSONNEL**

There were no loans made to Directors or other Key Management Personnel of the Company, including their personally related parties.

SECTION F: OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no transactions with Key Management Personnel not disclosed above or in Note 20.
End of Remuneration Report (Audited).

Signed in accordance with a resolution of the Board of Directors made pursuant to s298(2)(a) of the *Corporations Act 2001*.



Joshua Wellisch
Managing Director

Dated: The 30th Day of September 2016

AUDITOR'S INDEPENDENCE DECLARATION



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DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF KAIROS MINERALS LIMITED

As lead auditor of Kairos Minerals Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect Kairos Minerals Limited and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'David Garvey'.

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 30 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2016

| | Note | 30 June 2016 \$ | 30 June 2015 \$ |
|---|------|--------------------|--------------------|
| REVENUE | | | |
| Interest revenue from external parties | 2 | 1,844 | 11,870 |
| Net gain on sale of shares | 2 | 53,598 | - |
| Other | 2 | 11,700 | 11,527 |
| TOTAL REVENUE | | 67,142 | 23,397 |
| EXPENSES | | | |
| Tax and audit fees | 3a | (71,522) | (55,467) |
| Depreciation | | (3,083) | (901) |
| Tenement expenses | | - | (4,256) |
| Directors' and consultants' fees | 3a | (1,090,697) | (490,052) |
| Impairment reversal/(expense) on other financial assets | | 34,898 | (45,412) |
| Impairment reversal on other financial assets | | 10,087 | - |
| Impairment of tenement assets | | - | (194,248) |
| Travel and marketing | | (263,517) | (257,630) |
| Professional fees | 3a | (332,713) | (155,606) |
| Rent | | (48,000) | (28,000) |
| Administration and other expenses | | (318,787) | (229,395) |
| Exploration costs written off | 14 | (30,538) | - |
| Bad debts | | 9,000 | (9,900) |
| Loss before income tax | | (2,037,730) | (1,447,470) |
| Income tax expense | 4 | - | - |
| Loss for the year after income tax | | (2,037,730) | (1,447,470) |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Gain on the revaluation of available-for-sale financial assets | | 825 | 11,683 |
| Other comprehensive income for the year, net of tax | | 825 | 11,683 |
| Total comprehensive loss for the year | | (2,036,905) | (1,435,787) |
| Loss attributable to: | | | |
| Owners of Kairos Minerals Ltd | | (2,037,730) | (1,447,440) |
| Non-controlling interests | | - | (30) |
| | | (2,037,730) | (1,447,470) |
| Total comprehensive loss attributable to: | | | |
| Owners of Kairos Minerals Ltd | | (2,036,905) | (1,435,757) |
| Non-controlling interests | | - | (30) |
| | | (2,036,905) | (1,435,787) |
| Loss per share for the year attributable to the members of Kairos Minerals Limited: | | | |
| Basic (loss) per share (cents per share) | 7 | (0.12) | (0.11) |
| Diluted (loss) per share (cents per share) | 7 | (0.12) | (0.11) |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

| ASSETS | Note | 30 June 2016 \$ | 30 June 2015 \$ |
|-------------------------------------|------|--------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | 8 | 1,346,006 | 1,313,920 |
| Trade and other receivables | 9 | 119,510 | 146,849 |
| Other financial assets | 10 | 1,000 | 61,808 |
| Other assets | 11 | 27,999 | 16,190 |
| Total Current Assets | | 1,494,515 | 1,538,767 |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 18,797 | 5,989 |
| Exploration and evaluation costs | 14 | 7,311,271 | 3,833,614 |
| Total non-current assets | | 7,330,068 | 3,839,603 |
| TOTAL ASSETS | | 8,824,583 | 5,378,370 |
| LIABILITES | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 925,040 | 1,092,144 |
| Total current liabilities | | 925,040 | 1,092,144 |
| TOTAL LIABILITES | | 925,040 | 1,092,144 |
| NET ASSETS | | 7,899,543 | 4,286,226 |
| EQUITY | | | |
| Contributed equity | 16 | 48,491,529 | 43,501,008 |
| Available for sale financial assets | | 875 | 31,449 |
| Share-based payment options | | 691,100 | - |
| Accumulated losses | | (41,282,850) | (39,245,120) |
| Parent interests | | 7,900,654 | 4,287,337 |
| Non-controlling interests | | (1,111) | (1,111) |
| TOTAL EQUITY | | 7,899,543 | 4,286,226 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2016

| Consolidated Entity | Contributed Equity | Available for sale financial assets \$ | Share option reserve \$ | Accumulative losses \$ | Non-controlling interests \$ | Total \$ |
|--|--------------------|---|----------------------------|---------------------------|---------------------------------|--------------------|
| Balance at 30 June 2014 | 39,703,080 | 19,766 | - | (37,797,680) | (1,081) | 1,924,085 |
| Income / (loss) for the year after tax | - | - | - | (1,447,440) | (30) | (1,447,470) |
| Other comprehensive income | - | 11,683 | - | - | - | 11,683 |
| Total comprehensive income / (loss) for the year | - | 11,683 | - | (1,447,440) | (30) | (1,435,787) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Shares issued (net of costs) | 2,003,821 | - | - | - | - | 2,003,821 |
| Options exercised | 6,405 | - | - | - | - | 6,405 |
| Options Issued | 1,787,702 | - | - | - | - | 1,787,702 |
| Balance at 30 June 2015 | 43,501,008 | 31,449 | - | (39,245,120) | (1,111) | 4,286,226 |
| Income / (loss) for the year after tax | - | - | - | (2,069,129) | - | (2,069,129) |
| Other comprehensive income | - | 825 | - | - | - | 825 |
| Transfer to profit and loss on sale of investment | - | (31,399) | - | 31,399 | - | - |
| Total comprehensive income / (loss) for the year | - | (30,574) | - | (2,037,730) | - | (2,068,304) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Shares issued (net of costs) | 4,684,490 | - | - | - | - | 4,684,490 |
| Options exercised | 6,031 | - | - | - | - | 6,031 |
| Options Issued | 300,000 | - | - | - | - | 300,000 |
| Share-based payments | - | - | 691,100 | - | - | 691,100 |
| Balance at 30 June 2016 | 48,491,529 | 875 | 691,100 | (41,282,850) | (1,111) | 7,899,543 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2016

| | Note | 30 June 2016 \$ | 30 June 2015 \$ |
|---|-----------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees (inclusive of GST) | | (1,118,710) | (894,256) |
| Receipts from customers (inclusive of GST) | | 11,700 | 11,527 |
| Interest received | | 1,844 | 11,870 |
| Net cash flows used in operating activities | 19 | (1,105,166) | (870,859) |
| Cash flows from investing activities | | | |
| Payment for purchases of plant and equipment | | (15,891) | (6,890) |
| Payment for tenement and exploration | | (3,080,467) | (1,539,182) |
| Research and development tax incentive | | 745,156 | 223,888 |
| Proceeds from the sale of shares | | 130,307 | - |
| Net cash flows used in investing activities | | (2,220,895) | (1,322,184) |
| Cash flows related to financing activities | | | |
| Proceeds from issues of securities | | 3,606,031 | 3,642,107 |
| Capital raising costs | | (247,884) | (281,352) |
| Net cash flows from financing activities | | 3,358,147 | 3,360,755 |
| Net increase in cash and cash equivalents | | 32,086 | 1,167,712 |
| Cash and cash equivalents at the beginning of the year | | 1,313,920 | 146,208 |
| Cash and cash equivalents at the end of the financial year | 8 | 1,346,006 | 1,313,920 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

NOTE 1: BASIS OF PREPARATION

CORPORATE INFORMATION

The financial report of Kairos Minerals Limited (the Consolidated Entity) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

Kairos Minerals Limited is a listed public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX:KAI). The financial report covers the Consolidated Entity of Kairos Minerals Limited and controlled entities.

The principal activity of the Company is resource exploration and investments.

BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, as appropriate for profit orientated entities. The financial report has been prepared on an accruals basis and is based on historical costs. The financial report is presented in Australian dollars.

Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions made by management in preparation of these financial statements are;

► Share based payment transactions

The company measures the cost of the share-based payments at fair value at the grant date using the Black-Sholes formula after taking into account the terms and conditions upon which the instruments were granted (see note 16).

► Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices.

To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

NOTE 1: BASIS OF PREPARATION (CONT.)

GOING CONCERN

The Consolidated Entity incurred a net loss after income tax of \$2,037,730 for the year ended 30 June 2016 and had net cash outflows from operating and investing activities of \$3,326,061. At 30 June 2016, the Consolidated Entity had cash and cash equivalents of \$1,346,006 (2015: \$1,313,920) and had working capital, being current assets less current liabilities, of \$569,475 (2015: \$446,623).

On 28 July 2016, the Company announced the results of rights issue offer that closed on 22 July 2016. Eligible shareholders were offered to subscribe to new fully paid ordinary shares (New Shares) in the Company at an issue price of \$0.05 per New Share on the basis of two New Shares for every seven shares held at 8 July 2016. A total of 17,333,423 New shares have been subscribed for under an Entitlement Offer raising approximately \$866,671.

Based on planned and committed expenditure, the company will need to raise additional capital within the next 12 months to fund its activities. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the entity to continue as a going concern. The financial report has been prepared on a going concern basis which assumes the realisation of assets and discharge of liabilities in the normal course of business at the amounts stated in the financial report, for the following reasons:

- ▶ The budgets and forecasts reviewed by the directors for a period of 12 months from the date of signing the financial report anticipate the business will hold cash and cash equivalents to fund its operations and exploration commitments. The ability of the Consolidated Entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity.
- ▶ Management will actively manage discretionary and exploration expenditures in line with the funds available.
- ▶ Should additional funding be required the Consolidated Entity may attempt future equity capital raising initiatives, however it should be noted that while this source of funding has been used in the past, any future capital raising would be dependent on financial market conditions at the time that any additional equity funds are being sought.

Based on the above, the directors are satisfied adequate plans are in place and that the Consolidated Entity will have sufficient sources of funding to meet its obligations and anticipated expenditure through to 30 September 2017 (12 months from date of audit report). On this basis the financial report has been prepared on the going concern basis.

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

STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

NOTE 1: BASIS OF PREPARATION (CONT.)

NEW AND AMENDMENTS STANDARDS ADOPTED BY THE GROUP

All required new and amending Standards have been adopted from 1 July 2015. Adoption of these Standards did not have any effect on the financial position or performance of the Consolidated Entity. All other accounting policies adopted by the Consolidated Entity are consistent with the most recent Annual Report for the year ended 30 June 2015.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and therefore have not been adopted by the Consolidated Entity for the annual reporting period ended 30 June 2016:

| Ref | Title | Summary |
|--------|--|--|
| AASB 9 | <i>Financial Instrument and its consequential amendments</i> | <p>AASB 9 Financial Instruments and its consequential amendments</p> <p>This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.</p> |

NOTE 1: BASIS OF PREPARATION (CONT.)

ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) PRINCIPLES OF CONSOLIDATION

A controlled entity is any entity controlled by Kairos Minerals Limited. Control exists when the Company has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Kairos Minerals Limited to achieve the objectives of Kairos Minerals Limited.

A list of controlled entities is contained in Note 12 to the financial statements. All of the controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the Consolidated Entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

b) INCOME TAX

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or non-deductible items. It is calculated using the tax rates that have been enacted or are substantially enacted as at the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited to the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The tax Consolidated Entity has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution of the group's income tax. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the parent entity.

c) PLANT AND EQUIPMENT

Each class of 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 cost basis. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal.

Depreciation

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

NOTE 1: BASIS OF PREPARATION (CONT.)

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

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Plant and equipment | 20% to 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 statement of profit or loss and other comprehensive income.

d) **EXPLORATION AND DEVELOPMENT EXPENDITURE**

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

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

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

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

The costs of restoration obligations are provided for in full at the time of the activities which give rise to the need of restoration. Restoration costs include reclamation, site closure and monitoring of those activities, and are based on undiscounted prospective current cost estimates which satisfy anticipated legal requirements. Estimates of future costs are measured at least annually.

Where part of a joint venture is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farmout continues to be carried forward without adjustment, unless the terms of the farmout are excessive based on the diluted interest retained. A decision is then made to reduce exploration expenditure to its recoverable amount.

e) **FINANCIAL ASSETS**

Recognition and initial measurement

Financial assets and 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 Consolidated Entity commits itself to either the purchase or sale of the asset.

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

NOTE 1: BASIS OF PREPARATION (CONT.)

Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or at cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs are calculated as:

- (i) the amount at which the financial asset or financial liability is measured at initial recognition;
- (ii) less principle repayments;
- (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- (iv) less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payment or receipts (including fees, transaction costs, and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of profit or loss and other comprehensive income.

The Consolidated Entity 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.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and the asset falls within the requirements of AASB139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit and loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. They are measured and held at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets the whole category would be tainted and reclassified as available-for-sale. They are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither fixed maturity nor fixed or determinable payments. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

De-recognition

Regular purchases and sales of financial assets are recognised or derecognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the profit and loss as gains or losses from investment securities.

NOTE 1: BASIS OF PREPARATION (CONT.)

Fair value

Fair value is determined based on current bid prices for all quoted investments at reporting dates. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms-length transactions, reference to similar instruments, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit and loss.

f) IMPAIRMENT OF ASSETS

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the profit and loss.

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

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

g) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Functional and presentation currency

The functional currency of each of the Consolidated Entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit and loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:

- ▶ assets and liabilities are translated at the year-end exchange rates prevailing at the reporting date;
- ▶ income and expenses are translated at the average exchange rate for the period; and
- ▶ retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve via other comprehensive income. The cumulative amount of these differences are recycled in profit or loss in the period in which the operation is disposed.

h) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include 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.

NOTE 1: BASIS OF PREPARATION (CONT.)

i) REVENUE RECOGNITION

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

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

j) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

k) TRADE AND OTHER PAYABLES

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender is recognised as an expense on an accruals basis.

l) SHARE CAPITAL

Ordinary share capital is recognised as the fair value of the consideration received by the Consolidated Entity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

m) EARNINGS PER SHARE

Basic earnings per share is determined by dividing the net profit/(loss) for the period by the weighted average number of ordinary shares outstanding during the financial year. Where a net loss is made for the period, basic earnings per share and dilutive earnings per share are the same, because, the inclusion of options in the earnings per share calculation does not result in future dilution.

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 Taxation 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.

o) INTERESTS IN JOINT VENTURES

Where the Consolidated Entity is a venturer and so has joint control in a jointly controlled operation, the Consolidated Entity recognises the assets that it controls and the liabilities that it incurs, along with the expenses that it incurs and the Consolidated Entity's share of the income that it earns from the sale of the goods or services by the joint venture.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

p) INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are carried at the lower of cost of acquisition or at their recoverable amount in the Consolidated Entity's financial statements.

q) OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and assessing their performance.

r) PARENT ENTITY INFORMATION

In accordance with the *Corporations Act 2001*, these financial statements present the result of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

NOTE 2: REVENUE

| | 30 June 2016 | 30 June 2015 |
|--|---------------|---------------|
| | \$ | \$ |
| Operating and other revenue | | |
| Interest revenue from external parties | 1,844 | 11,870 |
| Net gain on sale of shares | 53,598 | - |
| Other | 11,700 | 11,527 |
| Total revenue | 67,142 | 23,397 |

NOTE 3: EXPENDITURE

a) EXPENDITURE

| | 30 June 2016 | 30 June 2015 |
|--|------------------|----------------|
| | \$ | \$ |
| Tax & Audit Fees | | |
| Audit fees | 38,265 | 39,750 |
| Taxation fees | 33,257 | 15,717 |
| Tax & Audit Fees | 71,522 | 55,467 |
| Directors' & consultants' fees | | |
| Directors | 336,175 | 312,132 |
| Consultants | 217,000 | 177,920 |
| Share based payments – equity settled ¹ | 537,522 | - |
| Directors' & consultants' fees | 1,090,697 | 490,052 |
| Professional fees | | |
| Legal fees | 24,077 | 17,094 |
| Other | 155,058 | 138,512 |
| Share based payments – equity settled ¹ | 153,578 | - |
| Professional fees | 332,713 | 155,606 |

¹ Equity was issued to Directors and Company Secretary pursuant to the July 2015 General Meeting of the Company.

NOTE 4: INCOME TAX EXPENSE

| | 30 June 2016 | 30 June 2015 |
|---|-------------------|-------------------|
| | \$ | \$ |
| a) The components of tax benefit comprise | | |
| Current income tax benefit | 1,002,863 | 812,751 |
| Deferred tax (expense)/income relating to the originating and reversal of temporary differences | (649,546) | (476,060) |
| Tax losses not recognised | (353,317) | (336,691) |
| | - | - |
| b) The prima facie tax on profit from continuing activities before tax is reconciled to the income tax expense as follows: | | |
| Prima facie tax benefit on loss from continuing activities before income tax at 28.5% (2015: 30%) | | |
| - Consolidated Entity | 580,753 | 434,241 |
| | 580,753 | 434,241 |
| Add: | | |
| Tax effect of: | | |
| - Section 40/880 deduction | 59,236 | 42,037 |
| Less: | | |
| Tax effect of: | | |
| - share based payments | (281,713) | (131,152) |
| - entertainment | (7,834) | (8,435) |
| | 350,442 | 336,691 |
| Tax effect of current period losses not recognised as deferred tax assets | (350,442) | (336,691) |
| Income tax benefit/(expense) attributes | - | - |
| c) Unrecognised deferred tax balances | | |
| Deferred tax liabilities | | |
| Deferred exploration & evaluation costs | 7,311,270 | 3,833,614 |
| Other | 27,999 | 16,188 |
| | 7,339,269 | 3,849,802 |
| Tax effect @ 28.5% (2015: 30%) | 2,091,692 | 1,154,941 |
| Deferred tax assets | | |
| Investments | 178,709 | 224,415 |
| Other | 589,987 | 541,698 |
| Tax losses ** | 17,552,198 | 23,357,698 |
| | 18,320,894 | 24,123,811 |
| Tax effect @ 28.5% (2015: 30%) | 5,221,455 | 7,237,143 |
| Net deferred tax asset not recognised | 3,129,763 | 6,082,202 |

NOTE 4: INCOME TAX EXPENSE (CONT.)

The benefit of tax losses and timing differences will only be achieved if:

- (i) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- (ii) the losses are transferred to an eligible entity in the Consolidated Entity; and
- (iii) the Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iv) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

** These carry forward tax losses are gross tax losses from prior financial years amounting to \$21,071,017. These losses are subject to further review by the consolidated entities to determine if they satisfy the necessary legislative requirements under the income tax legislation for the carry-forward and recoupment of tax losses. Included in tax losses are transferred losses into the tax Consolidated Entity relating to the years from 2000 to 2002.

Additionally, a deferred tax asset has not been recognised in respect of these items because it is not probable that future profit will be available against which the Consolidated Entity can utilise the benefits.

d) Tax-Consolidation Group

Kairos Minerals Limited is the head entity in the tax Consolidated Entity.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

a) KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to Directors of Kairos Minerals Ltd and other Key Management Personnel of the Consolidated Entity is set out below:

| | 30 June 2016 | 30 June 2015 |
|--------------------------------------|------------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 409,675 | 372,132 |
| Post -employment benefits | - | - |
| Share based payment - equity settled | 691,100 | 71,400 |
| | 1,100,775 | 443,532 |

NOTE 6: AUDITORS' REMUNERATION

| | 30 June 2016 | 30 June 2015 |
|---|---------------|---------------|
| | \$ | \$ |
| Remuneration of the auditor of the parent entity for: | | |
| - Audit and review fees | 38,265 | 41,750 |
| | 38,265 | 41,750 |

NOTE 7: EARNINGS PER SHARE

| | 30 June 2016 | 30 June 2015 |
|---|---------------|---------------|
| Basic (loss) per share (cents) | (0.12) | (0.11) |
| Diluted (loss) per share (cents) | (0.12) | (0.11) |
| a) Net (loss) used in the calculation of basic and diluted loss per share | (\$2,037,730) | (\$1,447,470) |
| b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share | 1,702,301,083 | 1,342,278,452 |

NOTE 8: CASH AND CASH EQUIVALENTS

| | 30 June 2016 | 30 June 2015 |
|---------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank | 1,336,006 | 1,303,920 |
| Term deposits | 10,000 | 10,000 |
| | 1,346,006 | 1,313,920 |

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | | |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | 1,346,006 | 1,313,920 |
| | 1,346,006 | 1,313,920 |

NOTE 9: TRADE AND OTHER RECEIVABLES

| | 30 June 2016 | 30 June 2015 |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Trade and other receivables * | 6,615 | 22,785 |
| Good and services tax refund due | 112,895 | 124,064 |
| | 119,510 | 146,849 |

* No receivables are past their due date or impaired.

NOTE 10: OTHER FINANCIAL ASSETS

| | 30 June 2016 | 30 June 2015 |
|--|--------------|---------------|
| | \$ | \$ |
| Current | | |
| Financial assets (held for trading) at fair value through profit or loss | 1,000 | 61,808 |
| | 1,000 | 61,808 |
| Comprising of: | | |
| Listed investments held at fair value | | |
| - Shares held in listed corporations (current) | 1,000 | 61,808 |
| | 1,000 | 61,808 |
| Total financial assets | 1,000 | 61,808 |

At each reporting date, the Consolidated Entity reviews the unlisted financial assets which are carried at cost to determine if there are indications of impairment. The Consolidated Entity considers factors such as recent arm length transactions resulting in capital raisings and commercial contracts to determine the estimated value of the investment.

NOTE 11: OTHER ASSETS

| | 30 June 2016 | 30 June 2015 |
|----------------|---------------|---------------|
| | \$ | \$ |
| Current | | |
| Prepayments | 27,999 | 16,190 |
| | 27,999 | 16,190 |

NOTE 12: CONTROLLED ENTITIES

| | Country of Incorporation | Percentage Owned (%)* | |
|--|--------------------------|-----------------------|--------------|
| | | 30 June 2016 | 30 June 2015 |
| Parent Entity | | | |
| Kairos Minerals Limited | Australia | | |
| Subsidiaries of Kairos Minerals Limited | | | |
| Delcarmen Energy Pty Ltd | Australia | 100.00 | 100.00 |
| Xplor Pty Ltd | Australia | 100.00 | 100.00 |
| Enoch's Point Pty Ltd | Australia | 96.86 | 96.86 |
| Horizon Energy Pty Ltd | Australia | 96.86 | 96.86 |
| Golden Mount Pty Ltd | Australia | 96.86 | 96.86 |
| Westside Nickel Pty Ltd | Australia | 100.00 | 100.00 |
| Coal First Pty Ltd | Australia | 100.00 | 100.00 |
| Next Commodities Pty Ltd | Australia | 100.00 | 100.00 |

* Percentage of voting power is in proportion to ownership.

NOTE 13: PLANT AND EQUIPMENT

| | 30 June 2016 | 30 June 2015 |
|--|---------------|--------------|
| | \$ | \$ |
| Plant and equipment | | |
| At cost | 26,366 | 10,475 |
| Accumulated depreciation | (7,569) | (4,486) |
| Total plant and equipment | 18,797 | 5,989 |
| Movements in carrying amounts | | |
| Movements in carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year: | | |
| Balance at the beginning of year | 5,989 | - |
| Additions | 15,891 | 6,890 |
| Depreciation expense | (3,083) | (901) |
| Write off | - | - |
| Carrying amount at the end of the year | 18,797 | 5,989 |

NOTE 14: EXPLORATION AND EVALUATION ASSETS

| | Note | 30 June 2016 \$ | 30 June 2015 \$ |
|--|------|--------------------|--------------------|
| Non-Current | | | |
| Exploration and tenement expenditure: | | | |
| Fraser Range project (100%)¹ | | | |
| Balance at the start of the year | | - | - |
| Exploration expenditure capitalised | | 2,483 | 47,261 |
| Capitalised exploration costs written down | | - | (47,261) |
| | | 2,483 | - |
| Roe Hills Nickel project (100%)¹ | | | |
| Balance at the start of the year | | 2,194,120 | 539,892 |
| Exploration expenditure capitalised | | 2,424,931 | 2,025,103 |
| Capitalised exploration costs written down | | - | (146,987) |
| R & D rebate | | (745,156) | (223,888) |
| | | 3,873,895 | 2,194,120 |
| Dingo Range project (100%) | | | |
| Balance at the start of the year | | 861,864 | 800,594 |
| Exploration expenditure capitalised | | 92,543 | 61,270 |
| Capitalised exploration costs written down | | - | - |
| | | 954,407 | 861,864 |
| Balladonia project (100%) | | | |
| Balance at the start of the year | | 777,630 | 726,583 |
| Exploration expenditure capitalised | | 63,661 | 51,047 |
| Capitalised exploration costs written down | | - | - |
| | | 841,291 | 777,630 |
| Mt York project (100%) | | | |
| Balance at the start of the year | | - | - |
| Exploration expenditure capitalised | | 1,384,159 | - |
| Capitalised exploration costs written down | | - | - |
| | | 1,384,159 | - |
| Wodjina project (100%) | | | |
| Balance at the start of the year | | - | - |
| Exploration expenditure capitalised | | 285,574 | - |
| Capitalised exploration costs written down | | (30,538) | - |
| | | 255,036 | - |
| Total capitalised exploration expenditure | | 7,311,271 | 3,833,614 |

¹ Tenements were impaired due to being lapsed and surrendered on reporting date.

NOTE 14: EXPLORATION AND EVALUATION ASSETS (CONT.)

At reporting date the group owned:

| | Percentage Owned (%)* | |
|--------------------------------------|-----------------------|--------------|
| | 30 June 2016 | 30 June 2015 |
| Mt Tarrengower Project ³ | - | 98.86 |
| Golden Mountain Project ¹ | - | 98.86 |
| Etona Coal Project ² | - | 100.00 |
| Delcarmen Coal Project ⁴ | - | 100.00 |
| Roe Hills Nickel Project | 100.00 | 100.00 |
| Mt Barrett Gold Project ⁵ | - | 100.00 |
| Fraser Range Project | 100.00 | 100.00 |
| Dingo Range Project | 100.00 | 100.00 |
| Balladonia Project | 100.00 | 100.00 |
| Mt York Project | 100.00 | - |
| Wodjina Project | 100.00 | - |

^{1&2} This tenement was surrendered during the 2014 financial year.

^{3,4&5} This tenement was surrendered during the 2015 financial year.

Ultimate recovery of exploration costs is dependent upon the Company maintaining appropriate funding through success in its exploration activities or by capital raising, or sale/farm-out of its exploration tenement interests to support continued exploration activities.

NOTE 15: TRADE AND OTHER PAYABLES

| | 30 June 2016 | 30 June 2015 |
|--------------------------------------|----------------|------------------|
| | \$ | \$ |
| Current | | |
| Trade payables | 863,117 | 729,029 |
| Sundry payables and accrued expenses | 61,923 | 363,115 |
| | 925,040 | 1,092,144 |

NOTE 16: CONTRIBUTED EQUITY

| | Note | 30 June 2016 \$ | 30 June 2015 \$ |
|------------------------------|-------|--------------------|--------------------|
| Ordinary shares fully paid | 16(a) | 46,420,843 | 41,730,322 |
| Options over ordinary shares | 16(b) | 2,070,686 | 1,770,686 |
| | | 48,491,529 | 43,501,008 |

| | Note | 30 June 2016 | | 30 June 2015 | |
|--|------|--------------------|-------------------|----------------------|-------------------|
| | | No. | \$ | No. | \$ |
| 16 a) Ordinary Shares | | | | | |
| At the beginning of reporting period | | 1,680,292,541 | 41,730,322 | 997,833,503 | 38,082,394 |
| Shares issued during year | | | | | |
| - Issue of shares | i) | 764,000,000 | 4,600,000 | 605,950,391 | 3,635,702 |
| - Issue of shares in lieu of payment for services | ii) | 96,955,803 | 550,374 | 68,148,340 | 365,773 |
| - Exercise of Options | iii) | 46,084 | 6,031 | 426,973 | 6,405 |
| - Issue of shares to directors and company secretary | iv) | 29,833,332 | - | 7,933,334 | 71,400 |
| - Reduction of share capital | v) | (2,288,490,095) | - | - | - |
| Transaction costs relating to share issues | | - | (465,884) | - | (431,352) |
| At reporting date | | 282,637,665 | 46,420,843 | 1,680,292,541 | 41,730,322 |

NOTE 16: CONTRIBUTED EQUITY (CONT.)

| Note | 30-Jun-16 | Details | Number | Issue Price \$ | Total \$ |
|--------------|-------------|--|------------------------|-------------------|------------------|
| i) | 27 Aug 2015 | Share placement | 200,000,000 | 0.006 | 1,200,000 |
| i) | 4 Feb 2016 | Share placement | 300,000,000 | 0.004 | 1,200,000 |
| i) | 22 Jun 2016 | Share placement | 24,000,000 | 0.050 | 1,200,000 |
| i) | 22 Apr 2016 | Issue of Securities to Tyranna and Tribal | 200,000,000 | 0.004 | 800,000 |
| i) | 22 Apr 2016 | Issue shares for Wodgina project, WA | 40,000,000 | 0.005 | 200,000 |
| | | | | | 4,600,000 |
| ii) | 27 Aug 2015 | Issue of shares to Steve Vallance for consulting services | 8,000,000 | 0.006 | 48,000 |
| ii) | 7 Dec 2015 | Issue of shares to DDH1 for exploration services | 32,083,333 | 0.006 | 192,500 |
| ii) | 7 Dec 2015 | Issue of shares to Merlin for exploration services | 2,491,032 | 0.006 | 14,946 |
| ii) | 7 Dec 2015 | Issue of shares to Newexo for exploration services | 1,662,180 | 0.006 | 9,973 |
| ii) | 7 Dec 2015 | Issue of shares to Vision Tech Nominees for consulting services | 5,000,000 | 0.006 | 30,000 |
| ii) | 15 Apr 2016 | Issue of shares to S3 Consortium for consulting services | 20,833,333 | 0.0048 | 100,000 |
| ii) | 15 Apr 2016 | Issue of shares to DDH1 for exploration services | 830,719 | 0.0047 | 3,904 |
| ii) | 15 Apr 2016 | Issue of shares to Merlin for exploration services | 3,508,443 | 0.0047 | 16,490 |
| ii) | 15 Apr 2016 | Issue of shares to Newexo for exploration services | 3,232,602 | 0.0047 | 15,193 |
| ii) | 15 Apr 2016 | Issue of shares to Vision Tech Nominees for consulting services | 9,000,000 | 0.005 | 45,000 |
| ii) | 15 Apr 2016 | Issue of shares to Brian Naylor for consulting services | 6,000,000 | 0.004 | 24,000 |
| ii) | 22 Jun 2016 | Issue of shares to Geonomics for consulting services | 500,000 | 0.100 | 50,000 |
| ii) | 22 Jun 2016 | Issue of shares to BW Equities for consulting services | 3,814,161 | 0.0001 | 368 |
| | | | | | 550,374 |
| iii) | 22 Jun 2016 | Exercise of options | 46,084 | 0.1309 | 6,031 |
| | | | | | 6,031 |
| iv) | 22 Apr 2016 | Conversion of Series A performance rights by Director - Wellisch ¹ | 16,500,000 | - | - |
| iv) | 22 Apr 2016 | Conversion of Series A performance rights by Director - Hutchinson ¹ | 3,333,333 | - | - |
| iv) | 22 Apr 2016 | Conversion of Series A performance rights by Director - Yu ¹ | 3,333,333 | - | - |
| iv) | 22 Apr 2016 | Conversion of Series A performance rights by Company Secretary - Wing ¹ | 6,666,666 | - | - |
| | | | | | - |
| v) | 4 May 2016 | Reduction of share capital | (2,288,490,095) | - | - |
| | | | | | - |
| Total | | | (1,397,700,960) | | 5,150,374 |

¹ The valuation assumptions used in the calculation of performance rights is set out on the following page.

NOTE 16: CONTRIBUTED EQUITY (CONT.)

The Monte-Carlo simulation model has been used when valuing the Company's performance share rights within this report. The nature of the performance rights are that, at any time during the market vesting period, subject to meeting the vesting conditions, an ordinary share in KAI will automatically vest to the holder of the performance right.

| Input | Assumption* |
|------------------------|---|
| Number of Rights | Series A – 29,833,332 Series B – 29,833,332 Series C – 39,333,336 |
| Valuation Date | 28 July 2015 |
| Vesting Period (Years) | Series A – within 4 years (by 28 July 2019) Series B – within 5 years (by 28 July 2020) Series C – within 5 years (by 28 July 2020) |
| Spot Price | \$0.008 |
| Exercise Price | \$0.00 |
| Company Volatility | 85% |
| Vesting condition | Series A – Market capitalisation of the Company of \$20 million or more Series B – Market capitalisation of the Company of \$30 million or more Series C – Market capitalisation of the Company of \$40 million or more |
| Risk free rate | 2.23% |
| Dividend yield | 0% |

* Refer to Directors' remuneration report "Section B" and "Section C" for further details. The initial number of performance rights issued per the table above was 99,000,000. This was reduced to 9,900,000 post consolidation.

| Note | 30-Jun-15 | Details | Number | Issue Price \$ | Total \$ |
|--------------|-------------|--|--------------------|----------------|------------------|
| i) | 23 Jul 2014 | Share placement | 233,000,000 | 0.006 | 1,398,000 |
| i) | 19 Feb 2015 | Share placement | 100,000,000 | 0.006 | 600,000 |
| i) | 15 Apr 2015 | Share placement | 272,950,391 | 0.006 | 1,637,702 |
| | | | | | 3,635,702 |
| ii) | 23 Jul 2014 | Issue of securities to Newexco Services Pty Ltd – in lieu of payment | 22,120,646 | 0.003 | 66,362 |
| ii) | 24 Feb 2015 | Issue of securities to S3 Consortium – in lieu of payment | 3,437,500 | 0.008 | 27,500 |
| ii) | 29 Apr 2015 | Issue of securities to ONQ Exploration – in lieu of payment | 16,370,194 | 0.007 | 114,591 |
| ii) | 29 Apr 2015 | Issue of securities for settlement of marketing and consulting fees – in lieu of payment | 26,220,000 | 0.006 | 157,320 |
| | | | | | 365,773 |
| iii) | 24 Feb 2015 | Exercise of options | 426,973 | 0.015 | 6,405 |
| | | | | | 6,405 |
| iv) | 23 Dec 2014 | Issue of securities to Neil Hutchison for remuneration purposes | 7,933,334 | 0.009 | 71,400 |
| | | | | | 71,400 |
| Total | | | 682,459,038 | | 4,079,280 |

NOTE 16: CONTRIBUTED EQUITY (CONT.)

| | Note | 30 June 2016 | | 30 June 2015 | |
|--------------------------------------|------|-----------------|------------------|----------------------|------------------|
| | | No. | \$ | No. | \$ |
| 16 b) Options | | | | | |
| At the beginning of reporting period | | 1,141,667,860 | 1,770,686 | 632,726,485 | 1,620,686 |
| Options movements during year | | | | | |
| - Issue of options | i) | 360,000,000 | 194,000 | 605,950,391 | - |
| - Exercise of options | | (46,084) | - | (426,973) | - |
| - Issue of options to consultants | ii) | 98,286,666 | 106,000 | 50,000,000 | 150,000 |
| - Expiration of options | iii) | (231,825,185) | - | (146,582,043) | - |
| - Reduction of options | iv) | (1,368,083,257) | - | - | - |
| At reporting date | | - | 2,070,686 | 1,141,667,860 | 1,770,686 |

NOTE 16: CONTRIBUTED EQUITY (CONT.)

| Note | 30-Jun-16 | Details | Class | Number | Issue Price \$ | Total \$ |
|--------------|-------------|---|-------------------|------------------------|----------------|----------------|
| i) | 27 Jul 2015 | Issue of options to Alignment Capital | MPJO ¹ | 60,000,000 | 0.002 | 120,000 |
| i) | 8 Dec 2015 | Issue to placement holders – free attaching options | MPJO ¹ | 100,000,000 | - | - |
| i) | 4 Feb 2016 | Issue to placement holders free attaching options | MPJO ¹ | 100,000,000 | - | - |
| i) | 15 Apr 2016 | Issue of options to Tyranna and Tribal | Unlisted | 100,000,000 | 0.001 | 74,000 |
| | | | | | | 194,000 |
| ii) | 27 Aug 2015 | Issue of options to Vision Tech Nominees Pty Ltd in lieu of payment | MPJO ¹ | 6,120,000 | - | - |
| ii) | 27 Aug 2015 | Issue of options to Steven Vallance in lieu of payment | MPJO ¹ | 8,000,000 | 0.001 | 8,000 |
| ii) | 7 Dec 2015 | Issue of options to brokers in lieu of payment | MPJO ¹ | 24,000,000 | 0.002 | 48,000 |
| ii) | 15 Apr 2016 | Issue of options to S3 Consortium in lieu of payment | MPJO ¹ | 4,166,666 | - | - |
| ii) | 15 Apr 2016 | Issue of options to CPS Capital Group in lieu of payment for services | MPJO ¹ | 50,000,000 | 0.001 | 50,000 |
| ii) | 15 Apr 2016 | Issue of options to Brian Naylor in lieu of payment | MPJO ¹ | 6,000,000 | - | - |
| | | | | | | 106,000 |
| iii) | 5 Oct 2015 | Expiration of options | MPJAI | (1,400,000) | - | - |
| iii) | 30 Jun 2016 | Expiration of options | MPJO ¹ | (230,425,185) | - | - |
| | | | | | | - |
| iv) | 4 May 2016 | Reduction of options | MPJO ¹ | (1,368,083,257) | - | - |
| | | | | | | - |
| Total | | | | (1,141,621,776) | | 300,000 |

¹ Options designated as MPJO were reclassified as KAIO during the year. KAIO options had an expiry date of 30 June 2016 and an exercise price of \$0.01. These options have now expired.

NOTE 16: CONTRIBUTED EQUITY (CONT.)

| Note | 30-Jun-15 | Details | Class | Number | Issue Price \$ | Total \$ |
|------|------------------|--|-------|--------------------|----------------|----------------|
| i) | 23 July 2014 | Capital raising – free attaching options | MPJO | 233,000,000 | - | - |
| i) | 15 February 2015 | Capital raising – free attaching options | MPJO | 100,000,000 | - | - |
| i) | 29 April 2015 | Capital raising – free attaching options | MPJO | 272,950,391 | - | - |
| | | | | | | - |
| ii) | 24 February 2015 | Exercise of options | MPJO | (426,973) | - | - |
| | | | | | | - |
| iii) | 9 October 2014 | Issue of options to Alignment Capital – in lieu of payment | MPJO | 50,000,000 | 0.003 | 150,000 |
| | | | | | | 150,000 |
| iv) | 6 July 2014 | Expiry of options | MPJOA | (41,299,175) | - | - |
| iv) | 30 November 2014 | Expiry of options | MPJOB | (105,282,868) | - | - |
| | | | | | | - |
| | | Total | | 508,941,375 | | 150,000 |

During the period, the Company issued 10,000,000 unlisted options to Tyranna and Tribal forming part of the "Completion" which was valued with a Black-Scholes calculation, using the following criteria:

76

| Recipient | Tenement Acquisition |
|---------------------|----------------------|
| Quantity | 10,000,000 |
| Entitlement date | 15/04/2016 |
| Expiry date | 30/06/2017 |
| Share price | \$0.004 |
| Exercise price | \$0.10 |
| Implied volatility | 100% |
| Option life (years) | 1.2 |
| Expected dividends | - |
| Risk free rate | 1.97% |

None of the options issued above had any vesting or escrow conditions.

In the previous financial year the Company did not issue any unlisted options.

NOTE 17: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

MABO DECISION

The decision of the High Court of Australia in June 1992 in *Mabo and Others v The State of Queensland (no. 2)* (1992) 175 CLR 1 recognised traditional native title rights of Aboriginal Australians to land in certain circumstances.

As a consequence of the Mabo decision the Federal Parliament enacted the Native Title Act 1993. The Mabo decision and subsequent native title claims have resulted in uncertainties concerning the security of title to interests in land, including exploration and mining tenements on an Australia-wide basis.

The Company and controlled entities hold tenements in Western Australia and Queensland. Some of these tenements may be subject to native title claims. Because of the uncertainties described above, the granting of exploration rights and ultimately mining from those tenements will depend on the outcome of the Native Title Claims and/or current negotiations by the Company.

The full impact of the consequences of the Mabo decision cannot be determined, but may in the future include:

- ▶ Tenements being made subject to conditions relating to native title
- ▶ Delays in the granting of new tenements or for renewals or extensions of existing tenements
- ▶ Claims for recognition of native title or for compensation by persons claiming native title

Other than as disclosed above the Consolidated Entity is not involved in any legal or arbitration proceedings nor, so far as the Directors are aware, of such proceedings pending or threatened against the Consolidated Entity.

NOTE 18: OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the management team in assessing performance and determining the allocation of resources.

The operating segments are identified by management based on the manner in which the expenses are incurred and resources allocated. Discrete financial information about each of these operating segments is reported to the board on a regular basis.

The reportable segments are based on aggregated operating segments determined by similarity of expenses, where expenses in the reportable segments exceed 10% of the total expenses for either the current and/or previous reporting period.

Operating segments

- ▶ Investments - The Consolidated Entity invests in a portfolio of listed investments for short term gains and liquidity purposes, and in unlisted equities for the purpose of long-term results.
- ▶ Exploration - The Consolidated Entity invests in exploration activities in areas of interest in order to identify mineral deposits for exploitation through sale of rights or mining activities.
- ▶ Corporate - The Corporate business segment consists of the Board of Directors and the costs of the Consolidated Entity communications and reporting. Share based payments have been included in this segment.

The company owns interests in exploration assets and financial assets that are based in Australia.

Segments are reported before tax. Tax is reflected in corporate expenditure.

NOTE 18: OPERATING SEGMENTS (CONT.)

| 30 June 2016 | Exploration & Mining \$ | Investments \$ | Segments Total \$ | Corporate \$ | Total \$ |
|--|-------------------------------|-------------------|-------------------------|--------------------|--------------------|
| Revenue | | | | | |
| Interest revenue | - | - | - | 1,844 | 1,844 |
| Net gain on sale of shares | - | - | - | 53,598 | 53,598 |
| Other unallocated revenue | - | - | - | 11,700 | 11,700 |
| Total Revenue | - | - | - | 67,142 | 67,142 |
| Expenses | | | | | |
| Depreciation | - | - | - | (3,083) | (3,083) |
| Other Expenses | (30,538) | - | (30,538) | (2,071,251) | (2,101,789) |
| Profit/(loss) attributed to minority interest | - | - | - | - | - |
| Net Result | (30,538) | - | (30,538) | (2,007,192) | (2,037,730) |
| Assets | | | | | |
| Segment assets | 7,311,271 | 1,000 | 7,312,271 | 1,512,312 | 8,824,583 |
| Total Assets | 7,311,271 | 1,000 | 7,312,271 | 1,512,312 | 8,824,583 |
| Liabilities | | | | | |
| Segment liabilities | 459,012 | - | 459,012 | 466,028 | 925,040 |
| Total Liabilities | 459,012 | - | 459,012 | 466,028 | 925,040 |

| 30 June 2015 | Exploration & Mining \$ | Investments \$ | Segments Total \$ | Corporate \$ | Total \$ |
|--|-------------------------------|-------------------|-------------------------|--------------------|--------------------|
| Revenue | | | | | |
| Interest revenue | - | - | - | 11,870 | 11,870 |
| Other unallocated revenue | - | - | - | 11,527 | 11,527 |
| Total Revenue | - | - | - | 23,397 | 23,397 |
| Expenses | | | | | |
| Depreciation | - | - | - | (901) | (901) |
| Other Expenses | (198,504) | - | (198,504) | (1,271,432) | (1,469,936) |
| Profit/(loss) attributed to minority interest | - | - | - | (30) | (30) |
| Net Result | (198,504) | - | (198,504) | (1,248,966) | (1,447,470) |
| Assets | | | | | |
| | 3,833,614 | 61,809 | 3,895,423 | 1,482,947 | 5,378,370 |
| Total Assets | 3,833,614 | 61,809 | 3,895,423 | 1,482,947 | 5,378,370 |
| Liabilities | | | | | |
| | 979,608 | - | 979,608 | 112,536 | 1,092,144 |
| Total Liabilities | 979,608 | - | 979,608 | 112,536 | 1,092,144 |

NOTE 19: CASH FLOW INFORMATION

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--|--------------------|--------------------|
| Reconciliation of Cash Flow from Operations with Result after Income Tax: | | |
| (Loss) for the Period | (2,037,730) | (1,447,470) |
| Add back depreciation expense | 3,083 | 901 |
| Add back impairment of mining tenements | - | 194,248 |
| Add back equity settled expense | 988,468 | 437,173 |
| Add back provision for diminution | (34,898) | 45,412 |
| Add back impairments of other financial assets | (11,577) | - |
| Add back exploration write off | 30,538 | - |
| Add back net gain on disposal of shares | (53,598) | - |
| (Increases) in Accounts Receivable | 27,339 | (98,446) |
| (Increases) in Other Current Assets | (16,791) | (2,677) |
| Cash flow from operations | (1,105,166) | (870,859) |

Non-Cash Investing Activities (refer to Note 16) during the year ended 30 June 2016:

| | | |
|---|------------------|----------|
| Tyranna and Tribal – Mt York project interest acquired - shares issued | 800,000 | - |
| Wodgina project interest acquired – shares issued | 200,000 | - |
| Tyranna and Tribal – Mt York project interest acquired - options issued | 74,000 | - |
| Other exploration costs – shares issued | 253,006 | - |
| Other exploration costs – options issued | 8,000 | - |
| Non-Cash Investing Activities | 1,335,006 | - |

NOTE 20: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The Directors of the Company during the financial year were:

- ▶ Joshua Wellisch (Appointed: 28th March 2013)
- ▶ Dehong Yu (Appointed: 15th July 2013) (Resigned: 15th August 2016)
- ▶ Neil Hutchison (Appointed: 15th April 2014)
- ▶ Ian Finch (Appointed: 3rd March 2016)

No related party transactions were made during the year other than director remuneration disclosed at Note 5 and Note 16.

NOTE 21: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) FINANCIAL INSTRUMENTS

The Consolidated Entity's financial instruments consist of cash and cash equivalents, trade and other receivables, other financial assets, and trade and other payables.

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---|-----------------------|-----------------------|
| Cash and cash equivalents | 1,346,006 | 1,313,920 |
| Trade and other receivables | 119,510 | 146,849 |
| Other financial assets held for trading | 1,000 | 61,808 |
| Trade and other payables | (925,040) | (1,092,144) |

The Consolidated Entity does not have any derivative instruments at 30 June 2016 (30 June 2015: Nil).

b) RISK MANAGEMENT POLICY

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Consolidated Entity's implementation of that system on a regular basis.

The Board seeks to ensure that the exposure of the Consolidated Entity to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost effective manner.

c) SIGNIFICANT ACCOUNTING POLICY

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and other financial assets are represented at their fair values determined in accordance with the accounting policies disclosed in Note 1.

d) CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may issue new shares or reduce its capital, subject to the provisions of the Company's constitution.

The capital structure of the Company consists of equity attributed to equity holders of the Company, comprising issued capital and accumulated losses.

e) FINANCIAL RISK MANAGEMENT

Interest Rate Risk

The Company is exposed to interest rate risks via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The objective of managing interest rate risk is to minimise the Company's exposure to fluctuations in interest rates that might impact its interest revenue and cash flow.

Cash at bank balances of \$1,346,006 (2015: \$1,313,920) are subject to interest rate risk, being held in accounts with floating interest rates. There is no other exposure to interest rate risk.

The Consolidated Entity has conducted a sensitivity analysis of the Consolidated Entity's exposure to interest rate risk. The analysis shows that if the Consolidated Entity's interest rate was to fluctuate as disclosed below and all other variables had remained constant, then the interest rate sensitivity impact on the Consolidated Entity's loss after tax and equity would be as follows:

NOTE 21: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--------------------|--------------------|--------------------|
| 1% (2015: +1.00%) | 13,460 | 13,139 |
| -1% (2015: -1.00%) | (13,460) | (13,139) |

Foreign Currency Risk

The Company is exposed to foreign currency risk via the equity investments in foreign entities that it holds. Foreign currency risk is the risk that the value of the financial investment will fluctuate due to changes in the foreign exchange rates. The Company does not have a policy to hedge overseas payments or receivables as they are infrequent.

The following financial assets and liabilities are subject to foreign currency risk:

| | 30 June 2016 \$ | 30 June 2015 \$ |
|---|--------------------|--------------------|
| Cash and cash equivalents (AUD/CAD) | - | - |
| Financial Assets held for trading (AUD/CAD) | - | 9,287 |

The Consolidated Entity has significantly reduced its investments outside of Australia, which previously exposed it to transactional currency movements. The Consolidated Entity is currently only exposed to fluctuations in Canadian dollars, meaning there is very minimal impact on the entity.

Credit Risk

The Consolidated Entity is exposed to credit risk via its cash and cash equivalents and trade and other receivables. Credit risk is the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company. To reduce risk exposure for the Company's cash and cash equivalents, it places them with high credit quality financial institutions.

The Company has analysed its trade and other receivables below. All trade and other receivables disclosed below have not been impaired.

Receivables past due and impaired are \$nil (2015: \$nil). All other receivables past due are not considered impaired. Management believe that these receivables are recoverable and are satisfied that payment will be received in full. The ageing of the group's trade receivables at reporting date:

| | 0-30 days | 30-60 days | 60-90 days | 90+ days | Total |
|------------------------------------|----------------|------------|------------|--------------|----------------|
| 2016 | | | | | |
| Trade and other receivables | | | | | |
| - Trade receivables | 1,615 | - | - | - | 1,615 |
| - Sundry receivables | - | - | - | 5,000 | 5,000 |
| - Good and services tax refund due | 112,895 | - | - | - | 112,895 |
| | 114,510 | - | - | 5,000 | 119,510 |

NOTE 21: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

| | 0-30 days | 30-60 days | 60-90 days | 90+ days | Total |
|------------------------------------|----------------|------------|------------|--------------|----------------|
| 2015 | | | | | |
| Trade and other receivables | | | | | |
| - Trade receivables | 990 | - | - | - | 990 |
| - Sundry receivables | 16,795 | - | - | 5,000 | 21,795 |
| - Good and services tax refund due | 124,064 | - | - | - | 124,064 |
| | 141,849 | - | - | 5,000 | 146,849 |

Liquidity Risk

The Company is exposed to liquidity risk via its trade and other payables. Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet the commitments associated with its financial instruments. Responsibility for liquidity risk rests with the Board who manage liquidity risk by monitoring the Company's undiscounted cash flow forecasts to ensure the Company is able to meet its debts as and when they fall due.

Contracts are not entered into unless the Board believes that there is sufficient cash flow to fund the activity. The Board considers when reviewing its undiscounted cash flows forecasts whether the Company needs to raise additional funding from the equity markets. The Company has analysed its trade and other payables below:

| | 0-30 days | 30-60 days | 60-90 days | 90+ days | Total |
|----------------------------------|------------------|----------------|----------------|----------------|------------------|
| 2016 | | | | | |
| Trade and other payables | | | | | |
| - Trade and other payables (AUD) | 474,002 | 111,197 | 135,129 | 128,492 | 848,820 |
| - Accrued expenses | 76,220 | - | - | - | 76,220 |
| | 550,222 | 111,197 | 135,129 | 128,492 | 925,040 |
| 2015 | | | | | |
| Trade and other payables | | | | | |
| - Trade and other payables (AUD) | 696,010 | 33,019 | - | - | 729,029 |
| - Accrued expenses | 363,115 | - | - | - | 363,115 |
| | 1,059,125 | 33,019 | - | - | 1,092,144 |

NOTE 21: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

f) NET FAIR VALUE

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, assets are carried at lower of cost or recoverable amount based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment. Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date is as follows:

| | 30 June 2016 | | 30 June 2015 | |
|---|-----------------------|----------------------|-----------------------|----------------------|
| | Carrying Amount \$ | Net Fair Value \$ | Carrying Amount \$ | Net Fair Value \$ |
| Consolidated Entity | | | | |
| Financial Assets | | | | |
| Cash and cash equivalents | 1,346,006 | 1,346,006 | 1,313,920 | 1,313,920 |
| Trade and other receivables | 119,510 | 119,510 | 146,849 | 146,849 |
| Other financial assets held for trading | 1,000 | 1,000 | 61,809 | 61,809 |
| Other financial assets available for sale | - | - | - | - |
| | 1,466,516 | 1,466,516 | 1,522,578 | 1,522,578 |
| Financial liabilities | | | | |
| Trade and other payables | 925,040 | 925,040 | 1,092,144 | 1,092,144 |
| | 925,040 | 925,040 | 1,092,144 | 1,092,144 |

g) MARKET RISK

Market risk is the risk that the value of an investment will decrease due to movements in market factors.

The Board do not follow a formally documented risk management policy. The analysis shows that if the Company's market price was to fluctuate as disclosed below and all other variables had remained constant, then the market price sensitivity impact on the Company's loss after tax and equity would be as follows:

| | 30 June 2016 \$ | 30 June 2015 \$ |
|--|--------------------|--------------------|
| Increase/(Decrease) in financial assets held for trading: | | |
| 5.00% (2015: 5%) | 50 | 3,090 |
| -5.00% (2015: -5%) | (50) | (3,090) |
| Increase/(Decrease) in financial assets held for sale | | |
| 5.00% (2015: 5%) | - | - |
| -5.00% (2015: -5%) | - | - |

Listed Investments

Net fair value of current listed investments is determined by reference to their quoted market bid price at balance date. Market values of all listed investments are disclosed in Note 10.

NOTE 21: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

h) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:

- ▶ quoted prices in active markets for identical assets or liabilities (Level 1);
- ▶ inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- ▶ inputs for asset or liability values that are not based on observable market data (unobservable inputs) (Level 3). Level 3 is applied to available for sale financial assets that are considered to be impaired.

| | 2016 | | | |
|--|---------------|---------------|---------------|--------------|
| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
| Financial Assets | | | | |
| <i>Financial assets at fair value through the profit or loss:</i> | | | | |
| - listed investments (held for trading) | 1,000 | - | - | 1,000 |
| | 1,000 | - | - | 1,000 |
| <i>Available for sale financial assets carried at cost less accumulated impairment</i> | | | | |
| - listed investments | - | - | - | - |
| | 1,000 | - | - | 1,000 |

| | 2015 | | | |
|--|---------------|---------------|---------------|---------------|
| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
| Financial Assets | | | | |
| <i>Financial assets at fair value through the profit or loss:</i> | | | | |
| - listed investments (held for trading) | 61,809 | - | - | 61,809 |
| | 61,809 | - | - | 61,809 |
| <i>Available for sale financial assets carried at cost less accumulated impairment</i> | | | | |
| - listed investments | - | - | - | - |
| | 61,809 | - | - | 61,809 |

NOTE 22: PARENT COMPANY INFORMATION

The following information has been extracted from the financial reports and records of the Parent Entity, Kairos Minerals Ltd, and has been prepared in accordance with the accounting standards.

| | Parent Entity | |
|---|--------------------|--------------------|
| | 30 June 2016 | 30 June 2015 |
| | \$ | \$ |
| STATEMENT OF FINANCIAL POSITION | | |
| Assets | | |
| Current assets | 1,481,790 | 1,515,497 |
| Non-current assets | 7,392,528 | 3,862,873 |
| Total assets | 8,874,318 | 5,378,370 |
| Liabilities | | |
| Current liabilities | 925,058 | 1,092,144 |
| Total liabilities | 925,058 | 1,092,144 |
| Net assets | 7,949,260 | 4,286,226 |
| Equity | | |
| Issued capital | 48,491,529 | 43,501,008 |
| Reserves | 691,975 | 31,449 |
| Accumulated losses | (41,234,244) | (39,246,231) |
| Total equity | 7,949,260 | 4,286,226 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
| Total loss | (1,988,012) | (1,656,006) |

NOTE 23: EVENTS OCCURRING AFTER THE REPORTING DATE

In accordance with shareholder approval at a General Meeting held on 29 July 2016, the following events occurred:

1. The prior issue of 6,000,000 shares and 6,000,000 old options to Mr Brian Naylor was ratified;
2. The prior issue of 4,000,000 shares to the Wodgina Vendors, as part consideration for the acquisition of the Wodgina East Lithium-Tantalum Project was ratified;
3. The prior issue of 24,000,000 shares at an issue price of \$0.05 per share (placement) was ratified;
4. The prior issue of 4,314,161 shares to BW Equities at an issue price of \$0.0001 per share was ratified;
5. Approval for the issue of up to 140,852,158 New Options exercisable at \$0.10 each on or before the first anniversary of the date of issue at an issue price of \$0.005 (0.5 cents) per New Option;
6. Approval for the issue of 5,000,000 New Options to BW Equities (or its nominee);
7. Approval for the issue of 10,000,000 shares to Tyranna Resources and Tribal Mining as part consideration for the acquisition of the Pilbara Lithium-Gold Project;
8. Approval for the issue of 1,276,096 shares to Factor Resources as consideration for the provision of corporate advisory services and asset acquisition fees in respect of the acquisition of the Pilbara Lithium-Gold Project from Tyranna Resources by the Company;
9. Approval for the issue of 1,012,436 shares to Kenzou Investments as consideration for the asset acquisition fees in respect of the acquisition of the Pilbara Lithium-Gold Project from Tyranna Resources by the company;
10. Approval of a) 2,500,000 Series D Performance Rights; b) 2,500,000 Series E Performance Rights; and c) 2,500,000 Series Performance Rights to Joshua Wellisch (and/or his nominee) under the Performance Rights Plan;
11. Approval of a) 900,000 Series D Performance Rights; b) 900,000 Series E Performance Rights; and c) 900,000 Series Performance Rights to Ian Finch (and/or his nominee) under the Performance Rights Plan;
12. Approval of a) 500,000 Series D Performance Rights; b) 500,000 Series E Performance Rights; and c) 500,000 Series Performance Rights to Neil Hutchinson (and/or his nominee) under the Performance Rights Plan; and
13. Approval of a) 500,000 Series D Performance Rights; b) 500,000 Series E Performance Rights; and c) 500,000 Series Performance Rights to Dehong Yu (and/or his nominee) under the Performance Rights Plan.

On 15 August 2016, the Company announced that Mr Dehong Yu resigned as director, with immediate effect to pursue other business interests.

On 28 July 2016, the Company announced the results of rights issue offer that closed on 22 July 2016. Eligible shareholders were offered to subscribe to new fully paid ordinary shares (New Shares) in the Company at an issue price of \$0.05 per New Share on the basis of two New Shares for every seven shares held at 8 July 2016. A total of 17,333,423 New shares have been subscribed for under an Entitlement Offer raising approximately \$866,671.

On 17 August 2016, the Company Announced that quotation of 153,352,158 options having an exercise price of \$0.10 and an expiry date of 5 August 2017 will take place on 19 August 2016. These options were previously denoted as unquoted. Upon quotation, the options will have the ASX code 'KAIOE'.

On 9 September 2016, the Company issued 6,700,000 shares upon achieving applicable milestone under Series F of the existing Performance Rights. Performance rights held were converted to shares. In addition, 25,030 shares were issued at \$0.10 per share regarding the exercise from options ('KAIO').

Other than the matters listed above, no other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Consolidated Entity, the result of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

NOTE 24: COMPANY DETAILS

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

Level 1, 14 Outram Street
West Perth
Western Australia
Australia 6005



DIRECTORS' DECLARATION

The Directors' of the Company declare that;

1. In the Directors' opinion the financial statements and the notes and the remuneration disclosures that are contained within the Remuneration report within the Directors' report are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date; and
 - b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001 and other mandatory professional reporting requirements.
2. the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in note 1; and
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the chief executive officer and chief financial officer for the financial year ended 30 June 2016.

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



Joshua Wellisch
Managing Director
Kairos Minerals Limited

Melbourne

Dated: 30th Day of September 2016

INDEPENDENT AUDIT REPORT



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Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Kairos Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Kairos Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

**Opinion**

In our opinion:

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 45 to 49 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

BDO East Coast Partnership

A handwritten signature in blue ink, appearing to read 'David Garvey', is written over a light blue horizontal line.

David Garvey
Partner

Melbourne, 30 September 2016



SHAREHOLDER INFORMATION

As at 5th September 2016:

NUMBER OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHARES

372,377,004 fully paid ordinary shares are held by 5,022 individual shareholders.

All ordinary shares carry one vote per share.

OPTIONS

KAIOE – 153,352,158 options exercisable at \$0.10 on or before 5 Aug 2017, are held by 227 individual shareholders;

KAI AO – 6,000,000 options exercisable at various prices on or before 21 Aug 2017, are held by 1 individual shareholder;

KAI AQ – 1,500,000 options exercisable at \$0.10 on or before 30 Dec 2017, are held by 3 individual shareholders;

KAI AS – 750,000 options exercisable at \$0.10 on or before 23 May 2017, are by 2 individual shareholders;

KAI AS – 750,000 options exercisable at \$0.20 on or before 23 May 2017, are by 2 individual shareholders; and

KAI AA – 10,000,000 options exercisable at \$0.10 on or before 30 June 2017, are held by 2 individual shareholders;

Options do not carry a right to vote.

Voting rights will be attached to the unissued shares when the options have been exercised.

DISTRIBUTION OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES

SHAREHOLDERS (KAI)

| | No. of Shareholders |
|-------------------------------------|---------------------|
| 1 – 1,000 | 2,261 |
| 1,001 – 5,000 | 458 |
| 5,001 – 10,000 | 408 |
| 10,001 – 100,000 | 1,358 |
| 100,001 – | 537 |
| Total number of shareholders | 5,022 |
| Unmarketable Parcels | 3,168 |

OPTION HOLDERS (KAIOE)

| | No. of Option holders |
|---------------------------------------|-----------------------|
| 1 – 1,000 | 17 |
| 1,001 – 5,000 | 20 |
| 5,001 – 10,000 | 13 |
| 10,001 – 100,000 | 60 |
| 100,001 – | 117 |
| Total number of option holders | 227 |

TWENTY LARGEST HOLDERS OF QUOTED SECURITIES
FULLY PAID ORDINARY SHARES

| Shareholders | Number | % |
|-------------------------------|-------------------|---------------|
| 1. TYRANNA RES LTD | 18,000,000 | 4.83% |
| 2. IBT HLDGS PL | 13,766,442 | 3.70% |
| 3. FOREIGN DIMENSIONS PL* | 8,700,000 | 2.34% |
| 4. GASMERE PL | 5,926,908 | 1.59% |
| 5. ABN AMRO CLRG SYD NOM PL* | 5,326,818 | 1.43% |
| 6. TAN KONG HOCK + ANG M M M | 5,142,857 | 1.38% |
| 7. UNSWORTH KATHERINE C | 4,600,000 | 1.24% |
| 8. DDH 1 DRILLING PL | 4,231,807 | 1.14% |
| 9. COULSON PHILLIP JOHN | 3,926,908 | 1.05% |
| 10. TR NOM PL | 3,855,322 | 1.04% |
| 11. NORTHERN STAR NOM PL* | 3,589,233 | 0.96% |
| 12. MILLWEST INV PL | 3,000,000 | 0.81% |
| 13. BAHEN MARK JOHN + M P | 2,750,000 | 0.74% |
| 14. KOBIA HLDGS PL | 2,526,908 | 0.68% |
| 15. CHITRIN DAVID | 2,500,000 | 0.67% |
| 16. SHAMAZ PL | 2,500,000 | 0.67% |
| 17. REIAJA PL | 2,266,667 | 0.61% |
| 18. TALEX INV PL | 2,238,571 | 0.60% |
| 19. ADMARK INV PL | 2,000,000 | 0.54% |
| 20. COLIN & IMELDA BOURKE SUP | 2,000,000 | 0.54% |
| TOTAL | 98,848,441 | 26.56% |

* Denotes Merged Holdings

TWENTY LARGEST HOLDERS OF QUOTED SECURITIES (CONT.)

Option holders (KAI0E)

| Option holders | Number | % |
|------------------------------|-------------------|---------------|
| 1. REIAJA PL* | 13,314,614 | 8.68% |
| 2. TR NOM PL | 10,086,956 | 6.58% |
| 3. NORTHERN STAR NOM PL* | 6,183,334 | 4.03% |
| 4. REDHEAD P C + GOUGH R F* | 6,000,000 | 3.91% |
| 5. STIMPSON PL | 5,500,000 | 3.59% |
| 6. FOREIGN DIMENSIONS PL* | 5,496,667 | 3.58% |
| 7. VISION TECH NOM PL* | 5,400,000 | 3.52% |
| 8. ALLEY LISA SHARON* | 4,500,000 | 2.93% |
| 9. PENINSULA INV WA PL* | 4,113,400 | 2.68% |
| 10. NOTLEY NICHOLAS R H* | 4,000,000 | 2.61% |
| 11. REIAJA PL | 3,652,054 | 2.38% |
| 12. FERNDALE SEC PL* | 3,600,000 | 2.35% |
| 13. SHAMAZ PL | 3,000,000 | 1.96% |
| 14. RUBYCHLO PL* | 3,000,000 | 1.96% |
| 15. JOHNSON RICHARD K G* | 3,000,000 | 1.96% |
| 16. HOWE MICHAEL* | 2,786,837 | 1.82% |
| 17. WATSON NORMAN | 2,500,000 | 1.63% |
| 18. KOBIA HLDGS PL | 2,000,000 | 1.30% |
| 19. SQUIRES C J + A C + S T* | 2,000,000 | 1.30% |
| 20. DAMERE PL* | 2,000,000 | 1.30% |
| TOTAL | 92,133,862 | 60.07% |

* Denotes Merged Holdings

UNQUOTED EQUITY SECURITIES HOLDINGS GREATER THAN 20%

Nil

SUBSTANTIAL SHAREHOLDERS

There are no substantial Shareholders who have notified the Consolidated Entity in accordance with Section 671B of the *Corporations Act*.

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholdings should contact the Share Registry:

Security Transfer Registrars

770 Canning Highway
Applecross, Western Australia
Australia 6153

Telephone: +61 (0)8 9315 2333

Facsimile: +61 (0)8 9315 2233

Email: registrar@securitytransfer.com.au

CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDINGS

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

REMOVAL FROM THE ANNUAL REPORT MAILING LIST

Shareholders who wish to receive a hard copy of the Annual Financial Report should advise the Share Registry or the Company in writing. Alternatively, an electronic copy of the Annual Financial Report is available from www.asx.com.au or www.kairosminerals.com.au. All shareholders will continue to receive all other shareholder information.

TAX FILE NUMBERS

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

CHESS (CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM)

Shareholders wishing to move to uncertificated holdings under the Australian Securities Exchange (ASX) CHESS system should contact their stockbroker.

UNCERTIFICATED SHARE REGISTER

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of your holding.

INTERESTS IN MINING TENEMENTS AS AT 30 JUNE 2016

| Project/Tenements | Location | Held | Events Subsequent to Balance Date |
|--|--------------------|------|---|
| Roe Hills Project E28/1935 E28/2117 E28/2118 E28/2495 E28/2548 E28/2585 | W.A., Australia | 100% | N/A |
| Fraser Range Project E69/3082 E69/3308 E69/33411 | W.A., Australia | 100% | Tenement E69/3211 was withdrawn on 25 July 2016. |
| Dingo Range E53/1731 E53/1732 E53/1733 P53/1624 | W.A., Australia | 100% | N/A |
| Mt York (Pilbara Lithium Gold Project) P45/2987 P45/2989 P45/2988 P45/2990 P45/2991 P45/2992 P45/2993 P45/2994 P45/2995 P45/2996 P45/2997 P45/2998 | W.A., Australia | 100% | N/A |
| Wodjina Project E45/4715 E45/4780 E45/4731 E45/4740 | W.A., Australia | 100% | N/A |
| Southern Pride Project E47/3523 E47/3522 | W.A., Australia | 100% | N/A |
| Croydon Project E47/3519 E47/3520 E47/3521 | W.A., Australia | 100% | N/A |
| Taipan Project E45/4806 | W.A., Australia | 100% | N/A |
| Balladonia Project N/A | W.A., Australia | 100% | Surrendered on 25 July 2016 |

INTERESTS IN MINING TENEMENTS ACQUIRED POST 30 JUNE 2016

| Project/Tenements | Start Date | Location | Held |
|--|---------------------|--------------------|------|
| Wood Cutters Project E28/2647 E28/2648 E28/2646 | 9 September 2016 | W.A., Australia | 100% |



CORPORATE DIRECTORY

COMPANY

Kairos Minerals Limited
ABN 84 006 189 331

DIRECTORS

Mr Ian Finch *Chairman, Non-Executive Director*
Mr Joshua Wellisch *Managing Director*
Mr Neil Hutchison *Non-Executive Director*

COMPANY SECRETARY

Mr Adrien Wing

COMPANY WEBSITE

www.kairosminerals.com.au

REGISTERED OFFICE

Level 1, 14 Outram Street
West Perth, Western Australia
Australia 6005

Phone: +61 (0)8 9226 1141

Facsimile: +61 (0)3 9614 0550

SOLICITORS

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SHARE REGISTRY

Security Transfer Registrars

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Telephone: +61 (0)8 9315 2333

Facsimile: +61 (0)8 9315 2233

Email: registrar@securitytransfer.com.au

AUDITORS

BDO East Coast Partnership

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SECURITIES QUOTED

Australian Securities Exchange (ASX)

ASX Code: KAI Ordinary Fully
Paid Shares

KAI OE Listed options
exercisable at \$0.10
per option on, or
before 5 August 2017

BANKERS

National Australia Bank

Melbourne, Victoria
Australia 3000



