

U.S. MASTERS HOLDINGS LIMITED
ARBN 052 123 930

Appendix 4E

Preliminary Final Report
For the year ended 30 June 2016

Results for announcement to the market

17 August 2016

Results for announcement to the market		30 June 2016	30 June 2015
		\$'000s	\$'000s
Revenue from ordinary activities	UP 250%	7	2
Profit /(Loss) from ordinary activities after tax attributable to members	UP 16%	(417)	(359)
Net Profit/ (Loss) for the year attributable to members	UP 16%	(417)	(359)

Dividends	Amount per security	Franked amount per security
Final dividend	NIL	NIL
Interim dividend	NIL	NIL

The attached Annual Report contains full details of the Group's audited financial results for the year ended 30 June 2016.

The financial reports have been compiled in accordance with International Financial Reporting Standards.

	2016	2015
Net Tangible Assets cents per ordinary share	(0.0)*	(0.0)

*On 21 August 2014 a facility was put in place whereby the Company can draw down up to \$500,000. Subsequently the facility was amended, where the Company can now draw down up to \$800,000. \$550,000 was drawn by 30 June 2016. Under International Financial Reporting Standards this amount is classified as a liability until such time as the option to convert to repay the facility with equity is exercised and the number of shares to repay this facility can be determined. If the number of shares was calculated at \$0.05 per share, the last sale price of the Company's shares on the ASX, at 30 June 2016 the Net Assets would have been \$17,389 and the Net Tangible Asset Backing would have been \$0.0005 per share.

U.S. MASTERS HOLDINGS LIMITED
Annual Report including Financial Statements
for the year ended 30 June 2016

Incorporated in the British Virgin Islands IBC No 29457
Australian Registered Body Number 052 123 930

U.S. MASTERS HOLDINGS LIMITED

Financial Statements for the year ended 30 June 2016

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U.S. MASTERS HOLDINGS LIMITED

Corporate Information

BOARD OF DIRECTORS

Gordon Galt (Chairman)
James Beecher
Michael Davies
Geoffrey Pigott

SECRETARIES

James Beecher
Equity Trust (BVI) Limited

SHARE REGISTRIES

Equity Trust (BVI) Limited
P.O. Box 438
Palm Grove House
Road Town, Tortola
British Virgin Islands
Telephone: (284) 494-2616

Computershare Registry Services Pty Limited
Yarra Falls, 452 Johnston Street,
Abbotsford, Victoria 3067
Australia
Telephone: (613) 9415-4000

REGISTERED OFFICES

Equity Trust (BVI) Limited (Registered Agent)
P.O. Box 438
Palm Grove House
Road Town, Tortola
British Virgin Islands
Telephone: (284) 494-2616

Suite 2 Level 40
88 Phillip Street
Sydney NSW 2000
Australia
Telephone: (612)8314 5580

WEBSITE: www.usmasters.com

U.S. MASTERS HOLDINGS LIMITED
Directors' Report for the year ended 30 June 2016

Expressed in Australian Dollars

The directors present their report together with the financial statements of U.S. Masters Holdings Limited ("the Company") and its subsidiaries ("the Group") for the 12 months ended 30 June 2016.

Principal Activity

The principal activity of the Group during the financial year was investment, no significant change in the nature of that activity has occurred during the year.

Review and results of operations

During the year the Group continued to conduct its investment activities while continuing to explore other opportunities that Directors believe may result in an increase in shareholder value. On 20 June 2016 the Company announced that Lithium Australia Ltd was to acquire, subject to conditions, the lithium rights on 2 exploration tenements granted to the Company.

In the 12 months to 30 June 2016 the Group recognised \$7,000 in unrealized gains (2015: \$1,000). This investment result was combined with income of \$nil from interest income (2015: \$1,000). At 30 June 2016 the Group's equity portfolio had a market value of \$10,000. The Group has restricted its investments in equities and has utilised cash balances.

The operating loss of the Group after income tax for the year was \$417,000 (2015: \$359,000).

The net liability value of U.S. Masters Holdings Limited was \$638,000 as at 30 June 2016 compared with \$221,000 at 30 June 2015.

On 21 August 2014 a facility was put in place whereby the Company can draw down up to \$500,000. Subsequently the facility was amended, where the Company can now draw down up to \$800,000. \$550,000 was drawn by 30 June 2016. Under International Financial Reporting Standards this amount is classified as a liability until such time as the option to convert to repay the facility with equity is exercised and the number of shares to repay this facility can be determined.

The performance of specific investments and of the stock market in general and the expenses associated with operating the Group continued to be the most significant features contributing to the operating performance. The expenses of the Group for the year relate primarily to investigating potential long term investments for the Group and maintaining the Company as a listed entity on the ASX.

The financial reports have been compiled in accordance with International Financial Reporting Standards.

Significant Changes in State of Affairs

The Company has applied for and (in part to date) been granted exploration tenements in the Lake Lefroy, Lake Johnston and Murchison areas in Western Australia.

U.S. MASTERS HOLDINGS LIMITED

Directors' Report for the year ended 30 June 2016 (continued)

Expressed in Australian Dollars

Significant Changes in State of Affairs (continued)

During July 2016, subsequent to year end, the Company also entered into separate agreements to acquire 100% of the issued capital of Hogans Resources Pty Ltd ("Hogans") and an exploration licence from Montezuma Mining Company Ltd ("MZM") (the "Proposed Transactions"). Hogans has accumulated a number of tenements in the Kalgoorlie Goldfields which are contiguous to USH's and MZM's Lake Lefroy tenements. The combined Hogans, MZM and USH package of tenements represents a highly prospective area in excess of 500km² to be called the Lefroy Project. Together with the exploration tenements USH has applied for and been granted, the acquisitions provide USH with significant potential for future value creation through exploration and establishing resources on its highly prospective package of tenements.

During August 2016 USH changed its name to "Lefroy Exploration Limited".

USH was granted mining tenements E63/1723 and E63/1722 in Western Australia earlier in 2016 and has sought partners to explore the ground. Those discussions have resulted in the following agreement having been entered into with Lithium Australia Ltd ("LIT") during August 2016:

- LIT will acquire the lithium rights in relation to these Tenements;
- LIT will issue 9 million fully paid ordinary shares (the "Consideration Shares") to USH in consideration for acquiring the Lithium rights to the Tenements, subject to any regulatory approval;
- 50% of the Consideration Shares (i.e. 4.5 million) will be subject to a voluntary escrow of three months from the date of issue;
- USH will acquire the gold and nickel rights in relation to LIT's tenement ("E63/1777") upon grant, and subject to any required regulatory approval. In consideration for the granting of these rights over E63/1777 USH will issue LIT 3 million fully paid USH ordinary shares at the time of transfer of these rights to USH;
- LIT and USH grant a reciprocal first right of refusal in regard to the sale of the underlying tenure of the tenements.

Since these transactions will result in a significant change to the nature and scale of USH's activities, the transactions will require USH shareholders' approval and re-compliance with Chapters 1 and 2 of the ASX Listing Rules. A notice of meeting seeking shareholder approval for the resolutions required to give effect to these transactions, proposed change to the nature and scale of the Company's operations and other associated initiatives is being sent to USH shareholders.

USH plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise \$4.0 million ("Capital Raising").

Subject to these transactions receiving shareholder approval, USH will also issue 4,375,000 Shares in repayment of the existing facility provided by Michael Davies.

Other than set out in this Report there were no significant changes in the state of affairs of the Group.

U.S. MASTERS HOLDINGS LIMITED

Directors' Report for the year ended 30 June 2016 (continued)

Expressed in Australian Dollars

Significant Post Balance Dates Events

The transactions referred to under the heading "Significant Changes in State of Affairs" above have predominately taken place subsequent to 30 June 2016.

Also, the facility with Michael Davies has been drawn down by another \$100,000 subsequent to 30 June 2016, bringing the total drawn to \$650,000 at the time of signing the directors' declaration. Refer to note 6 for more details.

Dividends

No dividends have been declared or paid since the start of the financial year and the Directors do not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: \$nil).

Principal Activity

The principal activity of the Group during the financial period was investment, and no significant change in the nature of that activity has occurred during the period.

Currency and Rounding

The financial statements are expressed in Australian Dollars and have been rounded to the nearest thousand dollars.

Board of Directors

The names of the Directors of the Company during or since the end of the financial year are:

Gordon Galt G.Eng. (Mining, Hons), BComm, GDipAppFin (Finsia),MAusIMM, MAICD Chairman– appointed 1 July 2010

Gordon is a senior mineral resources executive and an experienced Director with international mineral industry experience. Gordon is a mining engineer with post-graduate qualifications in finance. During his career, he has worked in senior management, technical and operational roles across a wide range of commodities, primarily gold, coal, magnesium and base metals. Gordon is currently engaged in funds management and corporate advisory work. He is also a director of NuCoal Resources Ltd and Finders Ltd.

Michael Davies BA Hons, MBA Director – appointed 1 July 2010

Michael is a specialist in resource financing, with over 20 years experience in major banks (Barclays, BZW and ABN AMRO) originating, structuring and arranging debt and providing corporate advice to natural resources companies. His experiences encompass iron ore, coal, gold, base and precious metals, industrial mineral, petrochemical, oil and gas projects in Africa, Australia, Papua New Guinea, Europe, North America and Asia. Michael is currently engaged in funds management and corporate advisory work. He is a non executive director of NuCoal Resources Ltd and Realm Resources Ltd.

U.S. MASTERS HOLDINGS LIMITED

Directors' Report for the year ended 30 June 2016 (continued)

Expressed in Australian Dollars

Geoff Pigott BA (Hons) Geology, MA. MAIG

Director – appointed 1 July 2010

Geoff has had 46 years experience as a professional geologist since graduating from Trinity College Dublin. He has worked in Europe, South Africa and Australia with a number of major mining companies including the Rio Tinto Group, Anglo-American, Freeport McMoran, Newmont and Newcrest Mining. He has experience of the gold, coal and base metal industries in a career that encompasses mineral exploration, resource development and mining. Recent positions include the position of Manager – Exploration and Development with Eagle Mining Corporation Limited, Chief Geologist with Kinross Gold Australia and Head of Exploration for ASX listed company Aquila Resources Limited, a position he held from 2003 until 2008 during which time Geoff assembled Aquila's extensive portfolio of coking coal, iron ore and manganese projects in Australia and Southern Africa.

James Beecher B.Com, MBA, FCPA, FAICD

Director – appointed 1 July 2010

Company Secretary and Local Agent – appointed 1 March 2014

James has over 31 years experience in senior finance, accounting and secretarial positions in resources, financial services and services companies. James has been Chief Financial Officer or Finance Director of NRMA Limited, Savage Resources Limited and Austen & Butta Limited. He held senior accounting positions with the Commonwealth Bank including Group Financial Controller and Group Chief Accountant. He is currently a Director of ASX listed NuCoal Resources Ltd and of funds manager CBG Asset Management Ltd. He has been a Non-Executive Director of Findlay Securities Ltd and MIL Resources Ltd and Company Secretary of Gloucester Coal Limited. He is Deputy Chair of the Australian Institute of Company Directors Reporting Committee.

Remuneration Report

Remuneration

The Company did not issue any shares to directors in lieu of paying directors fees for the financial year. (2015: \$nil). No other remuneration has been paid by the Group.

Directors Interests in Shares

The relevant interest of each director in the shares issued by the Company, as notified by the Directors to the Australian Securities Exchange, at the date of this report is as follows:

U.S. MASTERS HOLDINGS LIMITED
Directors' Report for the year ended 30 June 2016 (continued)
Expressed in Australian Dollars

Movements in Shares

The movement during the reporting year in the number of ordinary shares held, directly, indirectly or beneficially, by each director is as follows:

	Held at 1 July 2015	Acquisitions	Disposals	Held at 30 June 2016 (1)
G Galt	2,573,154	-	-	2,573,154
M Davies	6,007,654	-	-	6,007,654
G Pigott	2,406,666	-	-	2,406,666
J Beecher	2,450,413	-	-	2,450,413

(1) 1,000,000 of these shares for each director are held by the U.S. Masters Executive Share Plan Trust on behalf of each director in conformity with the Share Plan Rules including performance hurdles determining vesting conditions.

Directors' Benefits and Interests in Contracts or Proposed Contracts with the Group

Except as disclosed in Note 13 to the Financial Statements since the end of the previous financial year, no director of the Group has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of directors' remuneration shown in the financial statements, by reason of a contract made by the Group with a director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Auditors

Ernst & Young, the Group's auditors, provided non-audit services being taxation services in the amount of \$4,675 to the Group for the year ended 30 June 2016 (2015: \$4,675). The Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors.

Ernst & Young have confirmed their independence to the Group.

This report is made in accordance with a resolution of the Board and is signed for and on behalf of the directors.



J Beecher
Director

31 August 2016

U.S. MASTERS HOLDINGS LIMITED
Corporate Governance Statement for the year ended 30 June 2016
Expressed in Australian Dollars

The Company has followed the ASX Corporate Governance Council Principles and Recommendations ('the CGC Principles and Recommendations') to the extent appropriate for the size and nature of its business.

Set out below are statements disclosing the extent to which the Company has followed the CGC Principles and Recommendations in the reporting period and where Recommendations have not been followed reasons for not following them.

1. Principle 1: Lay solid foundations for management and oversight

1.1 The Group does not have any management with all functions reserved to the Board and the Group's operations conducted by its 4 directors and consultants.

1.2 The Group will undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and will provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. The Group does not have any present intentions of appointing a further director.

1.3 The Company enters into written agreements with directors and senior executives, if any, setting out the terms of their appointment.

1.4 The company secretary is a director and is accountable with the chair on all matters to do with the proper functioning of the board.

1.5 The Board will determine the appropriate policy concerning diversity from time to time. This policy will include a recommendation as to whether it is appropriate for the Board to establish measureable objectives for achieving gender diversity for the Board to assess annually. At present, the Company does not have any employees or management and such policy would only apply to the Board. To the extent this changes, or a new director is appointed, the Board will consider the appropriate policy.

1.6 The Chair undertakes informal board performance evaluations. Performance of the Board and directors is evaluated subjectively by the Chair on a continuing basis.

1.7 The Group does not have any senior executives.

U.S. MASTERS HOLDINGS LIMITED

Corporate Governance Statement for the year ended 30 June 2016 (continued)

Expressed in Australian Dollars

Principle 2: Structure the board to add value

2.1 The Board does not have and does not intend to establish a nominations committee because the formation of such a committee would be inefficient given the Company's size and nature.

Given the Company's size and nature with the Group's operations conducted by its 4 directors and consultants board succession issues and ensuring that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively are addressed by the full Board.

2.2 This Annual Report at pages 6 & 7 sets out the skills and diversity of the Board.

2.3, 2.4 & 2.5 As the Group's operations are conducted by its 4 directors all the directors can be viewed as executive directors. The directors are each significant shareholders in the Company. The Group pays rent and administration fees to a company of which G Galt and M Davies are directors. As such the directors are not considered independent.

All directors bring an independent judgement to bear on board decisions. Directors have the right to seek independent professional advice in appropriate circumstances at the Group's expense. Prior approval of the chair is required, but this will not be unreasonably withheld.

Due to the Group's size and the nature of its business the Group does not have a CEO.

2.6 Due to the Group's size and the nature of its business the Chair has the responsibility for director induction.

The Directors are entitled to receive appropriate professional development opportunities.

Principle 3: Promote ethical and responsible decision-making

3.1 Due to the Group's size and the nature of its business the Group does not have a formal code of conduct.

Principle 4: Safeguard integrity in financial reporting

4.1 Due to the Group's size and the nature of its business the Board does not have any sub-committees. As such the Audit Committee is the full Board. All processes of an Audit Committee are the responsibility of the full Board.

4.2 The Group does not have a CEO or CFO.

4.3 The auditor attends the AGM and is available to answer questions from security holders relevant to the audit.

Principle 5: Make timely and balanced disclosure

The Group, its Directors and consultants are aware of continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure. The Group does not have formal written policies regarding disclosure, but uses strong informal systems carried out by experienced individuals.

U.S. MASTERS HOLDINGS LIMITED

Corporate Governance Statement for the year ended 30 June 2016 (continued)

Expressed in Australian Dollars

Principle 6: Respect the rights of shareholders

6.1 The Group does provide information about itself via its website

6.2 The Group does not have a formal investor relations program as it believes this is excessive given the Company's size and nature. The Group communicates with shareholders via its website and timely announcements to the ASX.

6.3 The Board encourages full participation of shareholders at the Company's annual general meetings and any general meetings to ensure a high level of accountability and identification with the Company's strategy.

6.4 The Company gives shareholders the option to receive and send communications electronically.

Principle 7: Recognise and manage risk

7.1 Due to the Group's size and the nature of its business the Board does not have any sub-committees. As such the Risk Committee is the full Board. All processes of a Risk Committee are the responsibility of the full Board.

7.2 Due to the Group's size and the nature of its business the Group does not have in place a formal risk management framework. The Board is responsible for risk management and reviews risk at regular board meetings.

7.3 Due to the Group's size and the nature of its business the Group does not have an internal audit function. The Board is responsible for risk management and internal control and reviews risk at regular board meetings

7.4 The entity has economic risk. The Board is responsible for risk management and reviews risk at regular board meetings.

Principle 8: Remunerate fairly and responsibly

8.1 Due to the Group's size and the nature of its business the Board does not have any sub-committees. As such the Remuneration Committee is the full Board. All processes of a Remuneration Committee are the responsibility of the full Board.

8.2 The Group does not have executives. For the current year no directors fees were payable, in past years shares were issued to directors in lieu of payment of directors fees.

8.3 Due to the Group's size and the nature of its business the Company does not have a policy on whether participants in equity-based remuneration schemes are permitted to enter into transactions which limit the economic risk of participating in the scheme.

U.S. MASTERS HOLDINGS LIMITED

Statement of Comprehensive Income for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

	Note	30 June 2016 \$000	30 June 2015 \$000
Investment income			
Net change in unrealised profit/(loss) on investments	3	7	1
Interest income (net of withholding taxes)		-	1
Total investment income		<u>7</u>	<u>2</u>
Expenses			
Employee benefits expense		11	-
Accommodation costs		21	21
Share based payments		-	13
Legal, professional and consulting fees		203	224
Travel costs		4	3
Tender fees		25	21
Interest expense		94	12
Sundry expenses		67	70
Foreign exchange (profit)/loss		(1)	(3)
Total expenses		<u>424</u>	<u>361</u>
Loss for the year		<u>(417)</u>	<u>(359)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(417)</u>	<u>(359)</u>
Basic and diluted loss per share \$		(0.02)	(0.01)
Weighted average number of ordinary shares during the year used in the calculation of loss per share (basic and diluted)		24,388,920	24,388,920

The above statement of comprehensive income is to be read in conjunction with the accompanying notes.

U.S. MASTERS HOLDINGS LIMITED

Statement of Financial Position

At 30 June 2016

Expressed in thousands of Australian Dollars

	Notes	30 June 2016 \$000	30 June 2015 \$000
Assets			
Current assets			
Cash at bank		52	53
Investments	4	10	3
Prepayments		12	21
Total current assets		<u>74</u>	<u>77</u>
Total assets		<u>74</u>	<u>77</u>
Liabilities			
Current liabilities			
Accrued expenses		56	36
Total current liabilities		<u>56</u>	<u>36</u>
Non-current liabilities			
Other financial liabilities	6	656	262
Total non-current liabilities		<u>656</u>	<u>262</u>
Total liabilities		<u>712</u>	<u>298</u>
Net assets		<u>(638)</u>	<u>(221)</u>
Total shareholders' interests			
24,388,920 (30 June 2015: 24,388,920) ordinary shares with a par value of US\$0.50 per share	7	11,795	11,795
Share premium reserve	9	7,115	7,115
Foreign currency translation reserve		(111)	(111)
Share based payment reserve		39	39
Accumulated deficit		(19,476)	(19,059)
Total shareholders' interests		<u>(638)</u>	<u>(221)</u>
Net asset value cents per share (excluding treasury stock)		(0.0)	(0.0)

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

U.S. MASTERS HOLDINGS LIMITED

**Statement of Changes in Equity
for the year ended 30 June 2016**

Expressed in thousands of Australian Dollars

	Share capital	Share premium reserve	Share based payment reserve	Foreign currency translation reserve	Retained losses	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance of equity at 1 July 2014	11,795	7,115	26	(111)	(18,700)	125
Total comprehensive loss for the period	-	-	-	-	(359)	(359)
Share based payments	-	-	13	-	-	13
Balance of equity at 30 June 2015	11,795	7,115	39	(111)	(19,059)	(221)
Balance of equity at 1 July 2015	11,795	7,115	39	(111)	(19,059)	(221)
Total comprehensive loss for the period	-	-	-	-	(417)	(417)
Balance of equity at 30 June 2016	11,795	7,115	39	(111)	(19,476)	(638)

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

U.S. MASTERS HOLDINGS LIMITED

Statement of Cash Flows for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

	Notes	2016 \$000	2015 \$000
Operating Activities			
Interest received		-	1
Expenses paid		(301)	(317)
Net cash used in operating activities		<u>(301)</u>	<u>(316)</u>
Investing Activities			
Net cash provided in investing activities		<u>-</u>	<u>-</u>
Financing Activities			
Draw down of facility		300	250
Net cash provided in financing activities		<u>300</u>	<u>250</u>
Net increase/(decrease) in cash and cash equivalents		(1)	(66)
Cash and cash equivalents at beginning of year		53	119
Cash and cash equivalents at end of year		<u>52</u>	<u>53</u>
Cash at bank		52	53
Cash and cash equivalents		<u>52</u>	<u>53</u>

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

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

1. GENERAL INFORMATION

U.S. Masters Holdings Limited was incorporated under the laws of the British Virgin Islands on 14 May 1990 under the International Business Companies Act (Cap. 291). The liability of the members is limited by shares. The Company maintains its Registered Office in the British Virgin Islands.

The financial statements are presented in thousands of Australian Dollars (June 2015: Australian Dollars).

The Group has determined that its functional currency for each entity within the Group is Australian dollars (June 2015: Australian Dollars).

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Group's financial statements are set out below:

(a) Basis of preparation

The financial statements of U.S. Masters Holdings Limited comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the historical cost accounting convention.

The accounting policies have been consistently applied by the Group and are consistent with those of the previous year. Standards issued and effective for the period ended 30 June 2016 have been adopted and do not have a significant effect on the Group's financial statements.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The company has incurred a net loss after tax of \$417,000 for the year ended 30 June 2016 and had a net asset deficiency position of \$638,000 as at 30 June 2016. Based on this and the reasons described below, conditions exist that indicate there is a material uncertainty as to the company's ability to continue as a going concern.

The directors are currently pursuing an equity offering on the ASX and expect to lodge the prospectus in August 2016. The directors aim to raise a minimum of \$2.5 million up to a maximum of \$4.0 million through the offering process and expect that the minimum funds will be sufficient to allow for exploration and evaluation of the company's tenements and those the company intends to acquire and to provide the necessary working capital for the next few years. The raising of the maximum funds will allow for the acceleration of the exploration program. The company will also look to complete future equity offerings in order to raise additional capital as the business progresses.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

Should the company be unable to raise capital, there is a material uncertainty whether the company will be able to continue as a going concern and therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

The following standards and interpretations have been issued by the IASB but are not yet effective and have not been adopted by the Group for the period ending 30 June 2016:

IFRS 9 Financial instruments addresses classification, measurement and de-recognition of financial assets and liabilities. This standard will be effective from 1 July 2018.

The Company does not expect this or any other standards that have been issued but are not yet effective to have a significant effect on the Group's financial statements

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and brokers with maturities of three months or less.

(c) Investments

Investments are carried at fair value. Any increases or decreases in carrying values are recognised in the financial statements as an unrealized gain or loss.

Investments in securities traded on a securities exchange are valued at the last reported bid price on the day of valuation or, if there has been no sale on such exchange on the date on which the valuation is being made, then the closing bid price on such exchange on such date.

Securities traded in the over-the-counter market are valued at the last bid price. Restricted securities and other securities for which quotations are not readily available are valued at fair value.

(d) Investment transactions and income recognition

Investments are measured at fair value through profit and loss. Investment transactions are accounted for on the trade date (the date on which the order to buy or sell is executed). Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign currency

The Group has determined that its functional currency for each entity within the group is Australian dollars (June 2015: Australian Dollars).

Transactions in currencies other than an entity's functional currency are converted at the rate of exchange ruling at the transaction date. Foreign currency monetary assets and liabilities are translated at the spot rate at the reporting date. Resulting exchange differences are recognised in the result for the period.

(f) Facility

Facility draw downs are treated as a financial liability for accounting purposes since they are repayable in cash or for a variable number of shares. They are recognised when notice is given and recorded at proceeds received, which represents fair value of the financial liability at that date. The liability is subsequently measured at amortised cost.

On 21 August 2014 a facility was put in place whereby the Company can draw down up to \$500,000. Subsequently the facility was amended, where the Company can now draw down up to \$800,000. \$550,000 was drawn by 30 June 2016. This facility was provided by Michael Davies a Director and related party to the Group. Under AAS this amount is classified as a liability until such time as the Group's option to convert the facility into equity is exercised and the number of shares to repay this facility can be determined.

The facility is repayable at the Group's option by repayment of the amount drawn with an uplift of 10% per annum from the draw down date to the repayment date on amounts drawn, or by issue of shares in the U.S. Masters Holding Limited. The number of ordinary shares to be issued if the Group elects to repay the facility through conversion into equity is calculated by dividing the total amount drawn down by the issue price of the last issue of fully paid ordinary shares to non-related parties in U.S. Masters Holdings Limited after the date of the agreement, uplifted by 25%. Settlement in such a manner would result in a decrease to the facility liability and a corresponding increase to share capital.

Refer to Note 6 for more details.

(g) Trade payables and accrued expenses

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- ▶ When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ▶ When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- ▶ When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(i) Share-based payment transactions

The Group provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

(j) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

3. NET CHANGE IN UNREALISED GAIN ON INVESTMENTS

	30 June 2016 \$000	30 June 2015 \$000
Fair value of investments	10	3
Investments at average cost	84	84
	<hr/>	<hr/>
Closing unrealised loss on investments	(74)	(81)
Opening unrealised loss on investments	(81)	(82)
	<hr/>	<hr/>
Net change in unrealised gain/(loss) on investments	<u>7</u>	<u>1</u>

4. INVESTMENTS

	30 June 2016 \$000	30 June 2015 \$000
Current assets		
Listed investments	<hr/> <u>10</u>	<hr/> <u>3</u>

The Company invests in listed investments as part of the normal course of business.

Fair value

The Company has available to it various methods in estimating the fair value of listed investments. The methods comprise:

- Level 1 the fair value is calculated using quoted prices in active markets.
- Level 2 the fair value is estimated using inputs other than quotes prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the listed investments was calculated using the level 1 method.

The carrying values of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 2(c) to the annual financial statements.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

5. TAXATION

The Company is an Australian resident for taxation. The Company is exempt from all forms of taxation in the British Virgin Islands including income, capital gains and withholding taxes.

	2016	2015
	\$000	\$000
(a) The components of income tax expense are:		
Current tax	-	-
Deferred tax	-	-
Total tax benefit	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable is as follows:		
Loss from operations before income tax expense	417	359
Tax at statutory tax rate of 30% (2014: 30%)	125	108
Tax effect of equity raising costs debited to equity	-	-
Tax effect of tax losses and temporary differences not recognised	(125)	(108)
Income tax expense	-	-
(c) Tax losses:		
Net unused tax losses for the current year for which no tax loss has been booked as a deferred tax asset	125	108
Losses carried forward	889	781
Potential deferred tax benefit	1,014	889
Net deferred tax liability	-	-
Net deferred tax asset – not booked	1,014	889

The benefit of income tax losses will only be obtained if:

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

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

6. FACILITY

	30 June 2016	30 June 2015
	\$000	\$000
Non-current		
Facility	<u>656</u>	<u>262</u>

On 21 August 2014 a facility was put in place whereby the Company can draw down up to \$500,000. Subsequently the facility was amended, where the Company can now draw down up to \$800,000. \$550,000 was drawn by 30 June 2016. This facility was provided by Michael Davies a Director and related party to the Company. Under International Financial Reporting Standards this amount is classified as a liability until such time as the option to convert to repay the facility with equity is exercised and the number of shares to repay this facility can be determined.

The facility is repayable at the Company's option by either repayment of the amount drawn with an uplift of 10% per annum from the draw down date to the repayment date on amounts drawn, or by issue of shares in the Company. The number of ordinary shares to be issued is calculated by dividing the total amount drawn down by the issue price of the last issue of fully paid ordinary shares to non related parties in the Company after the date of the agreement, uplifted by 25%. If the facility was converted to shares on 30 June 2016, the uplift would be \$106,000.

It is likely that the facility will be converted to ordinary shares, or be repaid during the next financial year.

The facility has been drawn down by another \$100,000 subsequent to 30 June 2016, bringing the total drawn to \$650,000 at the time of signing the directors' declaration.

The carrying value of the drawn down facility approximates fair value.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

7. SHARE CAPITAL

	30 June 2016 \$000	30 June 2015 \$000
Authorised		
1,000,000,000 ordinary shares of US\$0.50 par value each	<u>USD 500,000</u>	<u>USD 500,000</u>
Issued and fully paid		
36,583,380 (30 June 2015: 36,583,380) ordinary shares of US\$0.50	40,511	40,511
Treasury Stock:		
Opening balance 12,194,460 shares (30 June 2015: 12,194,460)	28,716	28,716
Closing balance 12,194,460 shares (30 June 2015: 12,194,460)	<u>28,716</u>	<u>28,716</u>
Net share capital 24,388,920 shares (30 June 2015: 24,388,920 shares)	<u>11,795</u>	<u>11,795</u>

Each ordinary share carries the right to one vote at annual and general meetings and is entitled to participate in any dividends or other distributions of the Company.

8. TREASURY STOCK

The Company holds treasury shares in itself which were purchased pursuant to an on-market buy-back scheme on the Australian Securities Exchange. During the year no shares were issued by reissuing Treasury Shares (2015: nil).

	30 June 2016 \$000	30 June 2015 \$000
12,194,460 (30 June 2015: 12,194,460) ordinary shares at cost net of premium on purchase of treasury stock	<u>28,716</u>	<u>28,716</u>

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

9. SHARE PREMIUM RESERVE

	30 June 2016 \$000	30 June 2015 \$000
Opening balance	7,115	7,115
Issue Costs	-	-
Closing balance	<u>7,115</u>	<u>7,115</u>

10. SHARE BASED PAYMENTS

As approved by shareholders in General Meeting on 19 December 2012 4,600,000 ordinary shares were issued to the U.S. Masters Executive Share Plan Trust on behalf of personnel to be held in conformity with the Share Plan Rules, satisfied by the issue of treasury shares held by the Company. Included in this issue was the issue of 1,000,000 ordinary shares to the U.S. Masters Executive Share Plan Trust on behalf of each director. The shares are subject to detailed Share Plan Rules which include:

Each tranche of Shares will not be able to be released from the Share Plan unless and until the following performance hurdles have been achieved:

- (i) tranche one = When the U.S. Masters Holdings Ltd's share price (as traded on the ASX) has exceeded \$0.40 per share;
- (ii) tranche two = When the U.S. Masters Holdings Ltd's share price (as traded on the ASX) has exceeded \$0.60 per share;
- (iii) tranche three = When the U.S. Masters Holdings Ltd's share price (as traded on the ASX) has exceeded \$0.80 per share; and
- (iv) tranche four = When the U.S. Masters Holdings Ltd's share price (as traded on the ASX) has exceeded \$1.00 per share.

The assessed fair value of shares at grant date was calculated using a binomial option pricing model. The model takes into account a number of factors including the exercise price, the term of the shares, the vesting and performance criteria, the non tradeable nature of the shares, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the shares.

The grant date for the shares was 3 January 2013. The shares have no set expiry date. The fair value of the shares has been calculated on an assumed term of 3 years and the fair value calculated is being expensed over 3 years. The risk free rate in calculating the fair value of the shares was assumed to be 2.5%. The estimated volatility in calculating the fair value of the shares was assumed to be 25%. The fair values calculated were:

- tranche 1: 3.01 cents per share;
- tranche 2: 0.34 cents per share;
- tranche 3: 0.005 cents per share;
- tranche 4: 0.001 cents per share.

An amount of \$nil was recorded as an expense of share based payments (2015: \$13,000).

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

11. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record historical exchange differences arising from the translation of the financial statements in the functional currency to the reporting currency for the periods when the functional and presentation currencies were different.

	30 June 2016 \$000	30 June 2015 \$000
Balance at the beginning of the financial year	(111)	(111)
Foreign exchange movement on translation	-	-
Balance at the end of the financial year	<u>(111)</u>	<u>(111)</u>

12. SEGMENT REPORTING

The Group operates entirely as an investing Group and therefore has only one operating segment and all revenues and expenses are attributable to that segment.

13. RELATED PARTY TRANSACTIONS

The Group had the following commercial dealings with its directors and their associates during the period:

- (a) The Group paid rent of \$20,691 (2015: \$20,691) and administration fees of \$26,400 (2015: \$26,400) to Taurus SM Holdings Pty Ltd, a company of which Michael Davies and Gordon Galt are directors.
- (b) The Group made draw downs of \$300,000 (2015: \$250,000) on the facility held with Michael Davies a Director of the Company. Refer to note 6 for more details.
- (c) The Group paid consulting fees of \$4,950 to Geoff Pigott, a Director of the Company.

14. CONTINGENT LIABILITIES

The Company has entered into an agreement with New Holland Capital Pty Ltd, a company of which Michael Davies and Gordon Galt are directors, whereby New Holland is providing services to the Company in relation to the transactions referred to at page 6 of the Directors Report for fees payable and grant of options at the time the funds associated with the Capital raising there referred to are received by the Company. The fees comprise \$184,400, the option grant is 1,000,000 options and New Holland may also receive 6% of the gross proceeds the Company receives in the capital raising from investors introduced by New Holland and 1% of gross proceeds from other investors.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

15. FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and cash equivalents, investments and interest and dividends receivable. Financial liabilities comprise accrued expenses. Accounting policies for financial assets and liabilities are set out in note 2.

(a) Fair values

The carrying amounts of cash and cash equivalents, interest and dividends receivable and accrued expenses approximate their fair value due to the relatively short period to maturity of these instruments. Investments are carried at fair value.

The Group classifies fair value measurement using the hierarchy that reflects the significance of the inputs used in making the measurements. Investments held by the Group are fair valued using Level 1 measurements within the hierarchy. The fair value of the investments held by the Group is estimated by using quoted prices in active markets for identical assets or liabilities. The basis for determining fair values is disclosed in note 2.

There are no off-balance sheet financial assets or liabilities at year end.

(b) Credit risk

The Group purchases equities through the ASX or direct from the investee or its broker as part of a placement. The credit risk is through settlement risk with the ASX, the investee company or its broker.

At the year end there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Group believes that there has been no impairment required on any of the financial assets.

(c) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash plus a cash buffer to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements.

The Board receives information regarding cash balances. At the balance sheet date it is indicated that the Group expected to have sufficient liquid resources to meet its obligations under reasonably expected circumstances.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

15. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign exchange currency risk

The Group's year end statement of financial position exposure to foreign currency risk was as follows, based on notional amounts. The following are financial assets and liabilities in currencies other than the functional currencies of the entity in which they are recorded:

	30 June 2016 USD \$000	30 June 2015 USD \$000
Cash and cash equivalents	-	4
Prepayments and Debtors	-	11
Total statement of financial position exposure	-	15
Income statement gains/(losses) of 10% weakening of Australian dollar against USD, AUD*	-	2
Income statement gains/(losses) of 10% strengthening of Australian dollar against USD, AUD*	-	(2)

*This analysis assumes that all other variables, in particular interest rates, remain constant.

(e) Interest risk

At balance date, the Group was not exposed to floating weighted average interest rates on short term deposits (2015: \$nil). Other than the facility described in note 6, all financial assets and liabilities are non-interest bearing.

At balance date, the Group has no significant exposure to changes in interest rates.

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

16. CASH FLOW RECONCILIATION

	2016	2015
	\$000	\$000
Operating profit/(loss)	(417)	(359)
Less: share based remuneration	-	13
Less: Interest expense	94	12
Decrease/ (Increase) in investments balances	(7)	(1)
Decrease/(Increase) in prepayments/debtors	9	(1)
Increase/(decrease) in payables	20	20
	<u>(301)</u>	<u>(316)</u>

17. PARENT GROUP

The Group financial statements represent the Parent Company's financial information in all significant respects as the fully owned subsidiaries of U.S. Masters Holdings Limited, USH Colombia S.A.S and Sociedad Minera U.S. Masters Chile Limitada have been dormant for the reporting period and the balances held within the subsidiaries are immaterial.

18. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company has applied for and (in part to date) been granted exploration tenements in the Lake Lefroy, Lake Johnston and Murchison areas in Western Australia.

During July 2016, subsequent to year end, the Company also entered into separate agreements to acquire 100% of the issued capital of Hogans Resources Pty Ltd ("Hogans") and an exploration licence from Montezuma Mining Company Ltd ("MZM") (the "Proposed Transactions"). Hogans has accumulated a number of tenements in the Kalgoorlie Goldfields which are contiguous to USH's and MZM's Lake Lefroy tenements. The combined Hogans, MZM and USH package of tenements represents a highly prospective area in excess of 500km² to be called the Lefroy Project. Together with the exploration tenements USH has applied for and been granted, the acquisitions provide USH with significant potential for future value creation through exploration and establishing resources on its highly prospective package of tenements.

During August 2016 USH changed its name to "Lefroy Exploration Limited".

U.S. MASTERS HOLDINGS LIMITED

Notes to and forming part of the Financial Statements (continued) for the year ended 30 June 2016

Expressed in thousands of Australian Dollars

18. SIGNIFICANT CHANGES IN STATE OF AFFAIRS (CONTINUED)

USH was granted mining tenements E63/1723 and E63/1722 in Western Australia earlier in 2016 and has sought partners to explore the ground. Those discussions have resulted in the following agreement having been entered into with Lithium Australia Ltd ("LIT") in August 2016:

- LIT will acquire the lithium rights in relation to these Tenements;
- LIT will issue 9 million fully paid ordinary shares (the "Consideration Shares") to USH in consideration for acquiring the Lithium rights to the Tenements, subject to any regulatory approval;
- 50% of the Consideration Shares (i.e. 4.5 million) will be subject to a voluntary escrow of three months from the date of issue;
- USH will acquire the gold and nickel rights in relation to LIT's tenement ("E63/1777") upon grant, and subject to any required regulatory approval. In consideration for the granting of these rights over E63/1777 USH will issue LIT 3 million fully paid USH ordinary shares at the time of transfer of these rights to USH;
- LIT and USH grant a reciprocal first right of refusal in regard to the sale of the underlying tenure of the tenements.

Since these transactions will result in a significant change to the nature and scale of USH's activities, the transactions will require USH shareholders' approval and re-compliance with Chapters 1 and 2 of the ASX Listing Rules. A notice of meeting seeking shareholder approval for the resolutions required to give effect to these transactions, proposed change to the nature and scale of the Company's operations and other associated initiatives is being sent to USH shareholders.

USH plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise \$4.0 million ("Capital Raising").

Subject to these transactions receiving shareholder approval, USH will also issue 4,375,000 Shares in repayment of the existing facility provided by Michael Davies.

Also, the facility with Michael Davies has been drawn down by another \$100,000 subsequent to 30 June 2016, bringing the total drawn to \$650,000 at the time of signing the directors' declaration. Refer to note 6 for more details.

U.S. MASTERS HOLDINGS LIMITED

Directors' Statement for the year ended 30 June 2016

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of US Masters Holdings Limited, I state that:

In the opinion of the directors

- a) the financial statements and notes of the Group are in accordance with the International Financial Reporting standards, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2016 and its performance, for the year ended on that date of the Group; and
 - (ii) complying with IAS 1; and
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This statement has been made in accordance with a resolution of directors.



J Beecher
Director
31 August 2016

Independent auditor's report to the members of US Masters Holdings Limited

Report on the financial report

We have audited the accompanying financial report of US Masters Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 International Accounting Standards and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 International Financial Reporting 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 judgment, 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 controls relevant to the entity'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 entity's internal controls. 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.

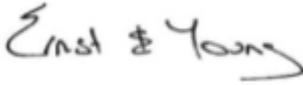
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

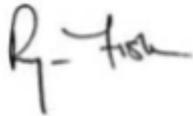
In our opinion the financial report of US Masters Holdings Limited is in accordance with the International Financial Reporting Standards, including giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(a) in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. As a result of these matters, there is material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



Ernst & Young



Ryan Fisk
Partner
Sydney
31 August 2016

U.S. MASTERS HOLDINGS LIMITED

Additional Information for the year ended 30 June 2016

Expressed in Australian Dollars

SHAREHOLDERS

At 28 August 2016, there were 243 holders of the ordinary shares of the Company

The voting rights attaching to the ordinary shares are as follows:

- (a) at meetings of members or classes of members, each member entitled to vote may vote in person or proxy or attorney; and
- (b) on a show of hands, every person present who is a member has one vote, and on a poll every person present or by proxy or attorney has one vote for each ordinary share held.

All rights and obligations attaching to a Treasury Share are suspended and shall not be exercised by the Company while it holds the Share as a Treasury Share.

The table below shows details of the top 20 shareholders as at 28 August 2016 excluding the holding by the Company of Treasury Shares:

Rank	Name	Address	Units
1.	MR MICHAEL DAVIES	1 PRINCE ALBERT STREET, MOSMAN NSW, 2088	5,007,654
2.	U S MASTERS SHARE PLAN PTY LTD	SUITE 2 LEVEL 40, 88 PHILLIP STREET, SYDNEY NSW, 2000	4,600,000
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	GPO BOX 5302, SYDNEY NSW, 2001	1,951,900
4.	CFO ADVISORS PTY LIMITED <THE BEECHER FAMILY A/C>	11 JERSEY ROAD, WOOLLAHRA NSW, 2025	1,450,413
5.	MR GEOFFREY FRANCIS PIGOTT	GPO BOX 1347, ADELAIDE SA, 5001	1,406,666
6.	CITICORP NOMINEES PTY LIMITED	GPO BOX 764G, MELBOURNE VIC, 3001	727,475
7.	MRS MICHELE PIGOTT	GPO BOX 1347, ADELAIDE SA, 5001	659,821
8.	MR ROHAN KRISHNA MENON	34 ALEXANDRA ST, DRUMMOYNE NSW, 2047	559,824
9.	MRS LOUISE HAWKE	41 MINNAMURRA ROAD, NORTHBRIDGE NSW, 2063	445,300
10.	MR DAVID ADAM BEAMOND	28 HOLDEN STREET, MAROUBRA NSW, 2035	445,299
11.	CLARKSON'S BOATHOUSE PTY LTD <CLARKSON SUPER FUND A/C>	PO BOX 1514, NORTH SYDNEY NSW, 2059	400,000
12.	DR MICHAEL ANDERSON + MRS LISA JANE ANDERSON	13 STORMON RIDGE, WINTHROP WA, 6150	333,333
13.	MR JOHN MCNAMEE	29 BRIERLEY STREET, MOSMAN NSW, 2088	333,333
14.	MR SCOTT SPEEDIE	93 RAGLAN ST, MOSMAN NSW, 2088	255,983
15.	VIVRE INVESTMENTS PTY LTD	2 ROSSLYN STREET, BELLEVUE HILL NSW, 2023	240,000
16.	ALCARDO INVESTMENTS LTD	UNIT B 16/F W SQUARE, 314-324 HENNESSY ROAD, WANCHAI, HONG KONG	200,000
17.	BEAMOND HOLDINGS PTY LTD <BB FAMILY SUPERFUND A/C>	28 HOLDEN ST, MAROUBRA NSW, 2035	200,000
18.	MS ROBYN GULDBRANDSEN	16 DRISCOLL PLACE, BARDEN RIDGE NSW, 2234	180,000
19.	MR CHARLES LOXTON	32 PARK AVENUE, MOSMAN NSW, 2088	167,946
20.	MR ALAN N ROBERTS	24 TIPPER AVENUE, BRONTE NSW, 2024	167,946
Totals: Top 20 holders of ORDINARY FULLY PAID			19,732,893

U.S. MASTERS HOLDINGS LIMITED

Additional Information (continued) for the year ended 30 June 2016

Expressed in Australian Dollars

Substantial Shareholders:

Shareholder:	Number of Shares
CFO Advisers Pty Ltd	2,450,413
Michael Neil Macgregor Davies	6,007,654
Gordon Thomas Galt	2,573,154
Geoffrey Francis Pigott	2,406,666

The distribution of shareholders as at 28 August 2016 was as follows:

No. Shares	Shareholders
1 - 1,000	25
1,001 - 5,000	72
5,001 - 10,000	49
10,001 - 100,000	61
100,001 - and over	36
	<u>243</u>

The number of shareholders holding less than a marketable parcel of securities at 28 August 2016 was 143.

INVESTMENTS AT 30 JUNE 2016

	Holding Number	Market Value \$000
Equities:		
Tanga Resources Limited (formerly Argentina Mining Limited)	112,000	9
Crater Gold Mining Limited (formerly Gold Anomaly Limited)	12,500	1
Minera Gold Limited (formerly Mundo Minerals Limited)	88,000	-
		<u>10</u>

The total number of transactions during the year was 0.

The total amount of brokerage paid or accrued during the year was \$nil.

There is no management agreement in place and no management fees were paid or accrued during the year.