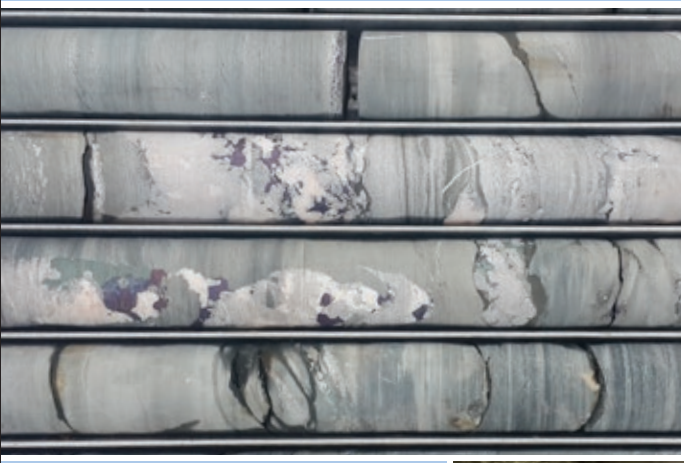
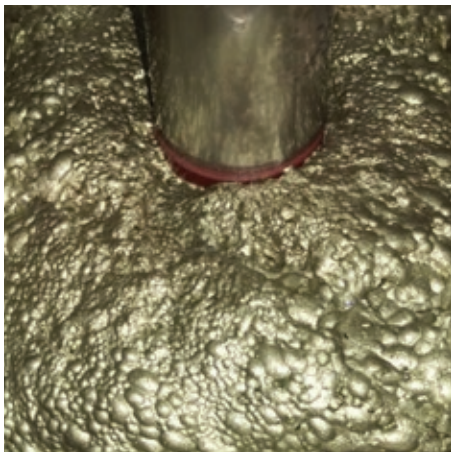
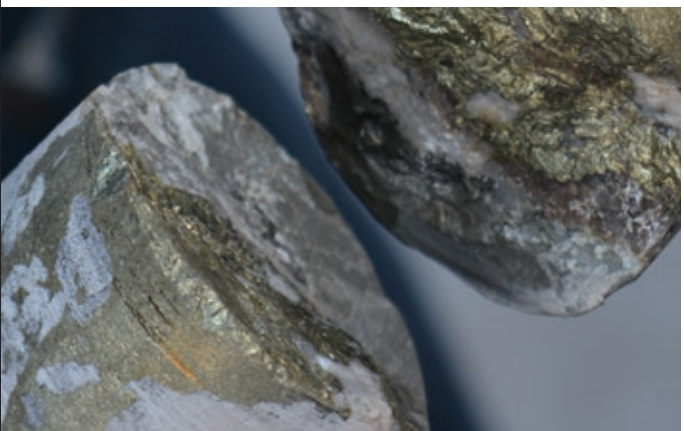
MOD RESOURCES LTD

ANNUAL REPORT 2016







MOD RESOURCES LTD

CORPORATE DIRECTORY

DIRECTORS

Mr Mark Clements (Executive Chairman)
Mr Julian Hanna (Managing Director)
Mr Steven McGhee (Technical Director)
Mr Simon Lee AO (Non-Executive Director)

SECRETARY

Mr Mark Clements

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ASX CODE: MOD

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CHAIRMAN'S REPORT

Dear Shareholder

On behalf of the Board of Directors of MOD Resources Limited, it is my pleasure to present the Company's Annual Report for the period ending 31 December 2016.

The last 12 months have been exciting with many highlights including the discovery of T3, completing a successful scoping study within nine months of discovery, and ongoing exploration success.

In February, MOD, along with our 30% UK joint venture partner Metal Tiger, finalised the acquisition of the DMI licences and received Ministerial approval for exploration. Then, within a month, T3 was discovered in the third drill hole at shallow depth with an intersection of 52m grading 2% copper and 32g/t silver.

Following an extensive drilling campaign, MOD was subsequently able to announce a substantial maiden copper/silver Resource at T3 within six months of discovery. The initial Resource of 28.36Mt containing approximately 350,200t (772Mlbs) copper and 14.27Moz silver, compares favourably on a global scale and represents a major step towards MOD becoming a copper producer in Botswana. Notably, the total cost from discovery to Resource was just US$1.7M or US0.22 cents/lb copper.

In December, MOD delivered a robust Scoping Study for the T3 project and based on the highly encouraging project economics, commenced a Pre-Feasibility Study (PFS) which is due to be completed in 2017.

The exploration programs, metallurgical testwork, licence renewals, and acquisitions during the year were very important in building future growth for MOD and its shareholders in this highly prospective region.

Exploration in and around the 50km long, 20km wide T3 Dome on the Kalahari Copper Belt continues in a very comprehensive and systematic approach. Our experienced geological team is busy outlining extensions and drilling to test for more T3-type deposits.

Pleasingly, the Botswana Mines Minister granted two year extensions for ten joint venture licences centred around the Company's T3 project area so exploration will continue to ramp up.

The funding for exploration has yielded excellent results and allowed the Company to commence the T3 PFS and continue exploration in this vast tenement holding (~11,343km^2). We are entering an accelerated period of exploration and project development and we are garnering increased interest from Australian and global investor groups.

Your Company is well funded and has a very experienced Board and technical management team focused on driving additional shareholder value. We believe that solid foundations have been laid for strong growth in 2017 and the Company is on an exciting and positive forward trajectory.

With so much activity throughout the year, I would like to thank MOD's dedicated staff, management, technical teams, consultants and advisors who have helped us achieve our successes to date. I would also like to thank all shareholders for their ongoing support as we grow the Company and achieve further success in the coming year.

MARK CLEMENTS
Executive Chairman

MANAGING DIRECTOR'S REPORT

Dear Shareholder

2016 was an exceptional year for your Company.

I am delighted to provide an update on MOD's progress towards becoming a copper producer in Botswana, starting with a review of some key highlights of the period:

- Consolidated a dominant holding in Kalahari Copper Belt
- Discovered significant sediment-hosted T3 deposit with JV partner AIM-listed Metal Tiger plc (30%)
- Maiden resource just six months after discovery (350kt Cu & >14Moz Ag)
- Robust scoping study for 9-10 year mine life, 2Mtpa open pit & plant
- Exceptionally low discovery and resource cost of US$1.7M (US0.22 cents/lb)
- Capital raisings to accelerate exploration and development activities
- Establishing an in-country operating company, Tshukudu Metals Botswana (Pty) Ltd

There is excitement amongst the MOD team, and I want to explain why we feel so positive about the Company's future.

Since the discovery of T3 in March 2016, MOD has not paused for a moment. The strategy during the past 12 months has been quite simple: to focus on continued exploration success, rapid commercial development, and sensible capital management.

Exploration upside – potential scale

MOD's footprint in Botswana is not only substantial, at over 11,000km^2, but also highly prospective.

T3 is a significant new sediment hosted copper and silver deposit and its geology and style of copper mineralisation have important similarities to deposits in the Zambian Copper Belt, one of the world's premier mining districts.

Sediment hosted copper deposits are the second most important source of copper and account for approximately 20 per cent of global production. Many of these mines currently in operation are close enough to surface to be mined by open pit methods, which is applicable to our T3 deposit. Setting MOD apart from other copper explorers are the widths of mineralisation at T3 the number of zones of mineralisation, and the as yet untested potential for new discoveries.

We consider T3 may also be a template for further exploration success. Based on a combination of geophysics, soil-sampling, IP and drilling our objective is to identify flat lying structures within the interpreted 50km-long T3 Dome structure with the objective to find more deposits like T3.

MOD is now entering a new phase of regional exploration with funds on hand to support an aggressive drilling campaign of the many exploration targets already identified within MOD's holdings.

Commercial development

One of MOD's primary goals for 2017 is to complete the T3 open pit pre-feasibility study and advance the definitive-feasibility study towards a decision to mine.

Simultaneously, we will be working to increase the resource, mine life and potentially increase the grade at T3. In addition, there is potential for an underground mine at MOD's 100% owned Mahumo (T1) deposit 20km north of T3, which will be further evaluated with deeper drilling planned in 2017.

We are committed to maintaining focus on commercialising this unique opportunity with the objective to commence production from the proposed T3 open pit during 2019.

To assist with capital management and future financing requirements for the project MOD recently appointed a Chief Financial Officer, Mr Stef Weber, who will be instrumental in supporting the Company's financial objectives.

Future opportunities

In addition to the robust development opportunity at T3 and the excellent potential for further exploration success in the T3 region, there is also the potential for the wider copper market to have a positive impact on MOD.

Working to MOD's advantage is steadily growing demand for copper from China, declining global supply from ageing low grade mines and a lack of new projects coming on stream. These external factors in combination with our dominant position in such a prospective copper belt, provide an exciting near to mid-term opportunity for your Company.

The establishment of the in-country operating company, Tshukudu Metals Botswana (Pty) Ltd provides the added opportunity to increase local employment, support community objectives and build government relationships in Botswana as MOD transitions from explorer and developer to producer.

We will continue to enhance our investor relations program, raising the profile of MOD and strengthening the shareholder base, with the objective to gain greater investor support globally.

I would like to thank the MOD staff and management team for their efforts over the past year, my fellow board members for their support and guidance and most importantly our shareholders for your continued support.

Finally, I would also like to thank our superb and hardworking team of Botswana geologists and technicians based in Ghanzi and our drilling contractors Discovery Drilling for their excellent service and commitment throughout the year.

We are all looking forward to another exciting year ahead!

JULIAN HANNA
Managing Director

DIRECTORS' REPORT

The Directors submit their report together with the financial report of MOD Resources Limited ("Consolidated Entity" or "Group") for the year ended 31 December 2016 and the auditor's report thereon.

DIRECTORS

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

Mr Mark Clements (Executive Chairman and Company Secretary)

Mr Clements has 20 years experience in corporate accounting and public company administration. He is a Fellow of the Institute of Chartered Accountants in Australia and a Member of the Australian Institute of Company Directors. Since 1997, Mr Clements has held the roles of Chief Financial Officer and Company Secretary of Medical Corporation Australasia Limited (which changed its name to MOD Resources Limited in July 2011) and has been responsible for the financial and corporate administration of the Company. Mr Clements was appointed Chief Operating Officer of the Company in 2005 and became an Executive Director in 2006. Mr Clements was a Director of Indigo Properties Australia Limited and is currently a Non Executive Director of MSM Corporation International Ltd and Company Secretary for a number of diversified ASX listed companies. Mr Clements previously worked for an international accounting firm. Mr Clements was appointed Chairman of the Company on 30 April 2014. Mr Clements is also a Director of Tshukudu Metals Botswana (Pty) Ltd.

Mr Julian Hanna (Managing Director)

Mr Hanna is a geologist with over 35 years experience in a wide range of activities including project acquisitions, exploration, development, mining and corporate growth. This includes 15 years in senior management roles with a number of gold mining companies in Western Australia. Mr Hanna was the Managing Director of Western Areas NL for 12 years before stepping down from that position in January 2012. He was a co-founder of Western Areas and led the company during its transformation from a $6 million junior explorer to become Australia's third largest nickel mining company capitalised at more than $800 million. Mr Hanna was a Non-Executive Director of Western Areas NL until May 2016. Mr Hanna was appointed Non-Executive Director of the Company on 22 January 2013 and was then appointed Managing Director on 19 March 2013.
Mr Hanna is also a Director of Metal Capital Limited and Tshukudu Metals Botswana (Pty) Ltd.

Mr Steve McGhee (Technical Director)

Mr McGhee is a metallurgist with over 30 years experience in the mining industry covering, testwork management, project development, engineering, commissioning and process plant management. He has held senior management operations and project roles throughout Australia, South East Asia and South America with particular emphasis on gold and base metals. He is also a Director of Perth-based Independent Metallurgical Operations. Mr McGhee was appointed Non-Executive Director on 30 April 2014 and moved to an executive role effective 1 January 2017.

Mr Simon Lee AO (Non-Executive Director)

Mr Lee AO has a successful track record in the resources industry spanning 27 years. He was instrumental in building gold mining houses Great Victoria Gold NL, Samantha Gold NL and Equigold NL – which was taken over by Lihir Gold for $1.1 billion. In 1993, Mr Lee AO received the Advance Australia Award for his contribution to commerce and industry and in 1994 he was bestowed an Officer of the Order of Australia. During his corporate career, Mr Lee AO has been involved in a diverse range of business enterprises which have seen him based in Asia, England, Canada and Australia. He is a former Board Member of the Australian Trade Commission (AUSTRADE), Chairman of the Western Australian Museum Foundation Trust and President of the Western Australian Chinese Chamber of Commerce. Mr Lee is also Chairman of Emerald Resources NL. Mr Lee was appointed Director of the Company on 13 January 1997 and was Chairman of the Company from the date of appointment until April 2011.

CORPORATE INFORMATION

Corporate Structure

MOD Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity. MOD Resources Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the Group's controlled entities at Note 23.

Nature of Operations and Principal Activities

The principal activities of the consolidated entity during the financial year ended 31 December 2016 were exploration for copper and silver in Botswana.

Operating Result

The consolidated net loss for the year ended 31 December 2016 was $1,920,772 (2015 net loss: $1,064,366). The consolidated net loss includes an impairment loss of $395,732 (2015: $249,679) relating to relinquished tenements on the exploration and evaluation expenditure of the Botswana Copper/Silver Project.

BOTSWANA COPPER/SILVER PROJECT

Joint Venture Licences (MOD 70%; Metal Tiger Plc 30%)

In late 2015, MOD acquired all the issued capital of unlisted company Discovery Mines (Pty) Ltd (in provisional liquidation) (DMI). The acquisition included 14 prospecting licences with a total area of approximately 7,446km^2 in the central and western part of the Kalahari Copper Belt with MOD owning 70% and London AIM listed resource fund, Metal Tiger Plc (MTR) owning 30% of DMI.

In February 2016, the MOD/MTR joint venture (JV) commenced an initial six-month drilling program to test a number of high priority exploration targets in the area surrounding MOD's 100% owned Mahumo deposit as well as test for resource extensions at Mahumo onto adjacent JV licences.

In March 2016, drilling commenced at the T3 Dome located within the central part of the 20km wide, 100km long Mahumo Structural Corridor. The Mahumo Structural Corridor runs through the JV licences (PLs 189 & PL 190) and is interpreted from magnetics to extend onto adjacent Cupric Canyon Capital licences, approximately 30km NE along strike from T3. The Cupric licences host the substantial Zone 5 and Banana Zone resources within the Mahumo Structural Corridor.

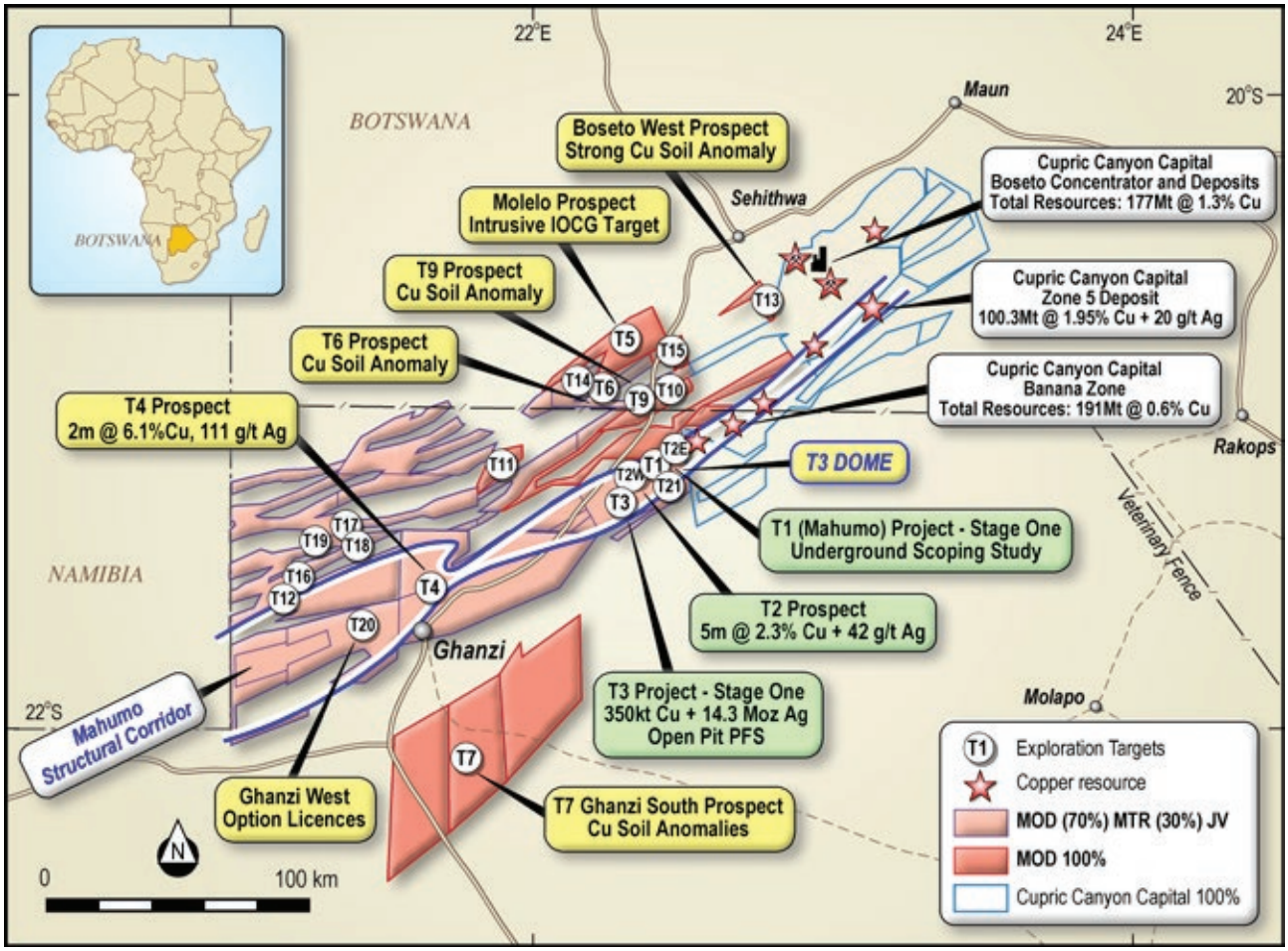

Figure 1: Kalahari Copper Belt showing T3 and regional target on MOD/MTR JV and MOD 100% licences

On 17 March 2016, the Company announced significant widths of copper sulphide mineralisation intersected in the first three RC drill holes (MO-G-10R to MO-G-12R) to test T3.

On 14 April 2016, the Company announced very encouraging Cu and Ag assay results from MO-G-12R and an additional RC drill hole MO-G-13R on the first drill section at T3.

Both holes intersected multiple zones of moderate to high grade Cu and Ag mineralisation within the Upper Mineralised Sequence (UMS), which was interpreted from limited data available to be up to 40m true width and dip approximately 20 degrees to the north. Key results included:

- MO-G-12R: Two significant zones of Cu and Ag, within a 52m down hole width interval which averages 2.0% Cu from 78m depth. MO-G-12R ended in Cu mineralisation.
  - 12m @ 2.7% Cu & 42.7 g/t Ag from 87m down hole depth, and
  - 14m @ 3.37% Cu & 72.7 g/t Ag from 116m down hole depth
- MO-G-13R: Three significant zones of Cu including two with high grade Ag, within a 53m down hole width interval which averages 1.1% Cu from 113m down hole depth.
  - 13m @ 1.49% Cu from 116m down hole depth, and
  - 9m @ 1.87% Cu from 141m down hole depth, and
  - 8m @ 1.4% Cu & 23.6 g/t Ag from 158m down hole depth

High grade Ag (>100g/t Ag) in MO-G-12R & MO-G-13R is associated with high grade Cu (>4% Cu). High grade Cu and Ag occurs in zones with more intensive veining dominated by bornite (high tenor Cu sulphide) occurring generally below chalcopyrite (moderate tenor Cu sulphide) within the UMS.

Rapid progress was made in the RC drilling program testing for extensions along strike from the first drill section. Eleven RC holes (MO-G-14R to MO-G-24R) were completed by the end of March 2016 on 100m and 200m spaced sections extending east and west.

Due to early success in the T3 drilling campaign, including the intersection of 52m @ 2.0% Cu in a shallow RC hole, the JV expanded drilling during the June quarter to gain a better understanding of the copper mineralisation. A substantial soil-sampling program also commenced of the surrounding area.

Resource Drilling – T3 (Phase 1)

The objective of the Phase 1 drilling program was to complete sufficient drilling to enable an initial resource estimate for T3 to an Inferred Resource category. The program included diamond core drilling for extensions along strike and several wider diameter drill holes to provide sufficient core samples for metallurgical test work of copper/silver mineralisation.

During the June quarter, the Company announced wide intersections of 1-2% copper with significant silver values within the Phase 1 resource target area. High-grade copper/silver veins were intersected in several holes and infill drilling was likely to be required to determine continuity of these veins, which may prove to be an important economic component of the deposit. Four diamond drill rigs were utilised to speed up the resource drilling.

A comprehensive metallurgical drilling and test work program on a range of different copper sulphide ores from T3 also commenced. Metallurgical consulting group, Independent Metallurgical Operations, undertook the test work in Perth.

In the June quarter, a 5km long trial IP traverse across the T3 Dome was successful in identifying a number of chargeability anomalies, mostly north and south of the current drilling. The central anomaly appeared to be associated with the substantial copper/silver sulphide mineralisation intersected in resource drilling at T3.

In addition to the targets generated by the IP survey, a new 3km long copper/zinc anomaly was identified approximately 3.5kms NE along strike from the Phase 1 resource area at T3. Drilling was planned at several of the targets, which included IP chargeability anomalies, soil anomalies along the T3 Dome, and a possible fault displacement of the target sequence 300m west of the resource area.

The number of geological and support teams, based in Ghanzi, increased to assist with the expansion of activities at T3 and maintain the momentum at other high priority exploration targets on other licences within the wider Kalahari Project.

During the June quarter, the Company continued rapid progress with its RC and diamond drilling programs. Results from diamond core drilling confirmed earlier interpretations based on shallow RC drilling, that vein hosted and disseminated Cu/Ag sulphide mineralisation with locally high Mo values, appear to be hosted by two reasonably continuous, shallow dipping zones (UZ and LZ) within a distinctive 40- 50m wide sequence of green siltstones, marl units and intercalated sandstone units (the Target Sequence).

RC drilling intersected the Target Sequence in all drill holes along a 1km strike length at T3. RC drilling proved very effective as a low cost exploration method for identifying mineralisation at shallow depth, which was then followed up by diamond drilling to provide more reliable geological and assay data.

Based upon the mineralisation encountered in the RC drilling campaign, the Phase 1 resource drilling program was designed to test an area covering 800m along strike and 300-350m down dip. This was extended to 1km along strike following an encouraging intersection in hole MO-G-13D outside the resource area.

The resource program included diamond drilling on a 100m by 100m pattern with infill drilling on a 100m by 50m pattern to a maximum vertical depth of ~200m. All drill holes were drilled at an inclination of 60 degrees to the south, approximately perpendicular to the host stratigraphy and the mineralisation.

In addition to the widespread vein hosted and disseminated chalcopyrite mineralisation, high tenor copper sulphides including bornite and covellite were intersected in quartz and carbonate veins in many drill holes. Very high individual silver assays (including 199g/t, 244g/t and 363g/t Ag in hole MO-G-09D) are generally associated with very high individual copper assays (including 8.36%, 10.2% and 21.5% Cu in hole MO-G-09D) within veins. MO-G-09D was located at the eastern end of the resource area and further drilling was carried out to determine the extent of these bonanza Cu/Ag veins.

MO-G-16D produced a record Cu assay of 0.8m @ 45.4% Cu and 119g/t Ag within an intersection of 27.5m @ 3.2% Cu and 13g/t Ag from 134.0m down hole. MO-G-16D includes other high-grade assays between 4.9% up to 8.8% Cu.

The presence of substantial bonanza grade copper/silver veins within the wide zones of T3 mineralisation was demonstrated again by MO-G-20D which produced a Cu assay of 6.2m @ 7.8% Cu and 209g/t Ag within an intersection of 20.0m @ 3.2% Cu and 77g/t Ag from 130m down hole.

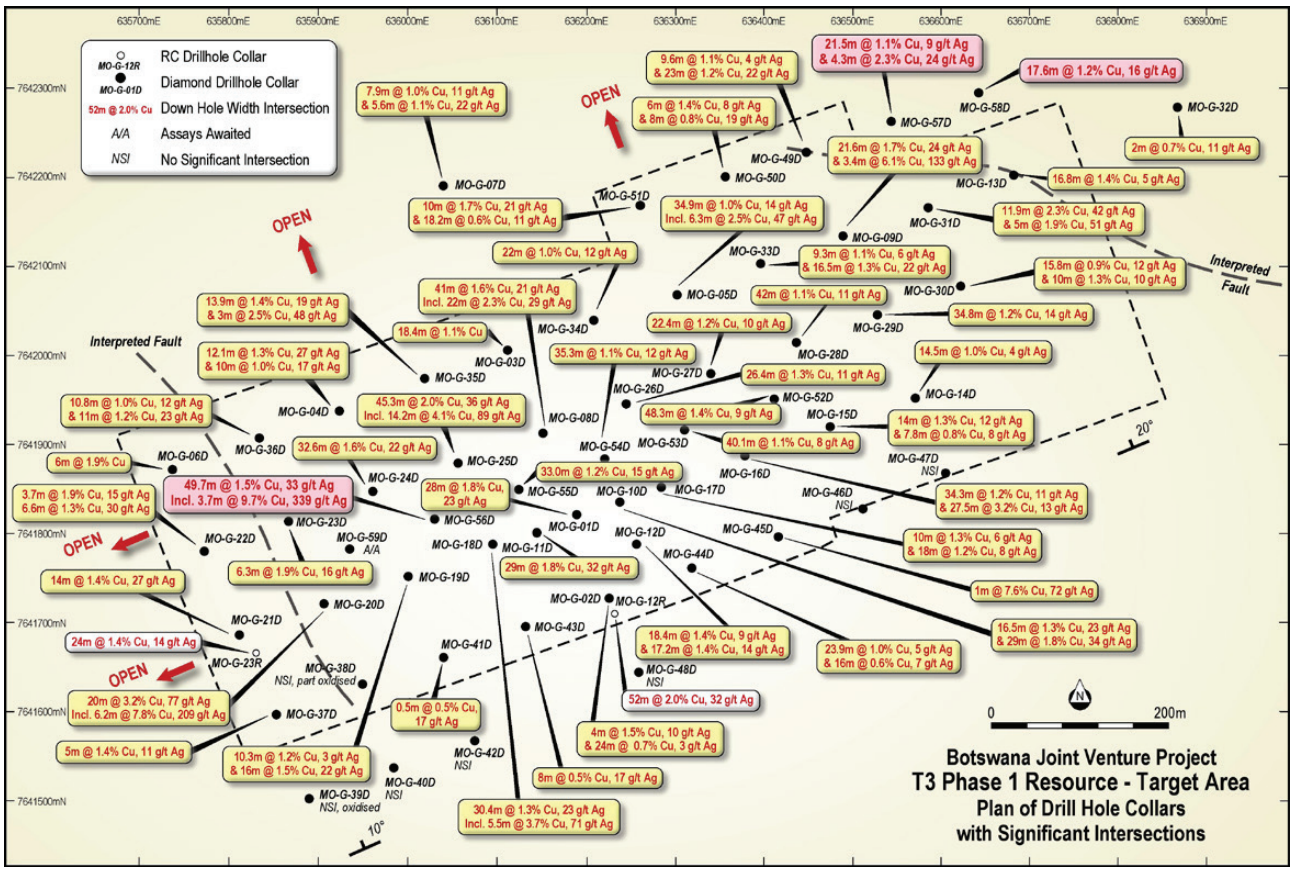

Figure 2: Plan of T3 Phase 1 Resource Area showing significant previously announced resource intersections
(Note: does not include subsequent drill holes to test underlying Zone 2 announced 30 March 2017)

Maiden Resource – T3

On 26 September 2016, only six months after the discovery of T3, MOD announced a maiden Resource for T3, which was defined along a 1.4 km long strike length.

Combined Indicated and Inferred resource estimates using 0.5% Cu cut-off consist of 28.36Mt @ 1.24% Cu and 15.7g/t Ag, containing approximately 350,200t Cu (~772Mlbs copper) and 14.27 million oz Ag. This includes a high-grade resource using 1.5% Cu cut-off grade which consists of 8.48Mt @ 2.16% Cu and 30.6g/t Ag, containing approximately 182,900t Cu and 8.34 million oz Ag (Table 1).

Importantly, 64% of the total resource tonnes are in the Indicated Resource category demonstrating the excellent continuity of the mineralisation drilled on a 100m by 100m grid pattern (Figure 2).

JORC Category	Cutoff Cu%	Tonnes	Grade Cu%	Grade Ag g/t	Contained Cu (tonnes)	Contained Ag (oz)
	0.5	18,071,000	1.35	16.7	244,320	9,724,550
Indicated	1.0	10,103,000	1.84	24.2	186,198	7,848,794
	1.5	6,773,906	2.12	29.6	143,675	6,450,935
	0.5	10,287,000	1.03	13.7	105,853	4,546,534
Inferred	1.0	3,162,296	1.82	26	57,396	2,640,127
	1.5	1,706,001	2.3	34.5	39,221	1,892,814
	0.5	28,358,000	1.24	15.7	350,221	14,271,083
TOTAL (Indicated & Inferred)	1.0	13,265,000	1.84	24.6	243,678	10,488,664
	1.5	8,479,907	2.16	30.6	182,912	8,343,592

Table 1: T3 Resource Table

T3 mineralisation consists of disseminated and vein hosted copper sulphides including chalcopyrite, bornite and chalcocite occurring within a shallow dipping sequence of sediments ('host sequence') up to 50m true width. T3 demonstrates strong zonation of sulphides from the top to the bottom contacts of the deposit, and down dip from near surface to the deeper part of the resource. The T3 Resource is open along strike to the west and east and extension drilling commenced in February 2017 to test this potential.

On 6 March 2017, the Company announced assay results had confirmed the discovery of significant widths and grades of copper and silver mineralisation below the current T3 resource, in particular, an intersection of 72.6m @ 1.5% Cu and 27g/t Ag in MO-G-65D from 250m down hole depth including a high grade intersection of 18m @ 2.7% Cu and 52g/t Ag from 280m. This result extended the potential >100m below the current T3 resource which remains open at depth (Figure 3).

On 30 March 2017 the Company announced further intersections from this new zone of mineralisation ('Zone 2') directly below the proposed open pit which formed the basis for the T3 Scoping study announced on 7 December 2016.

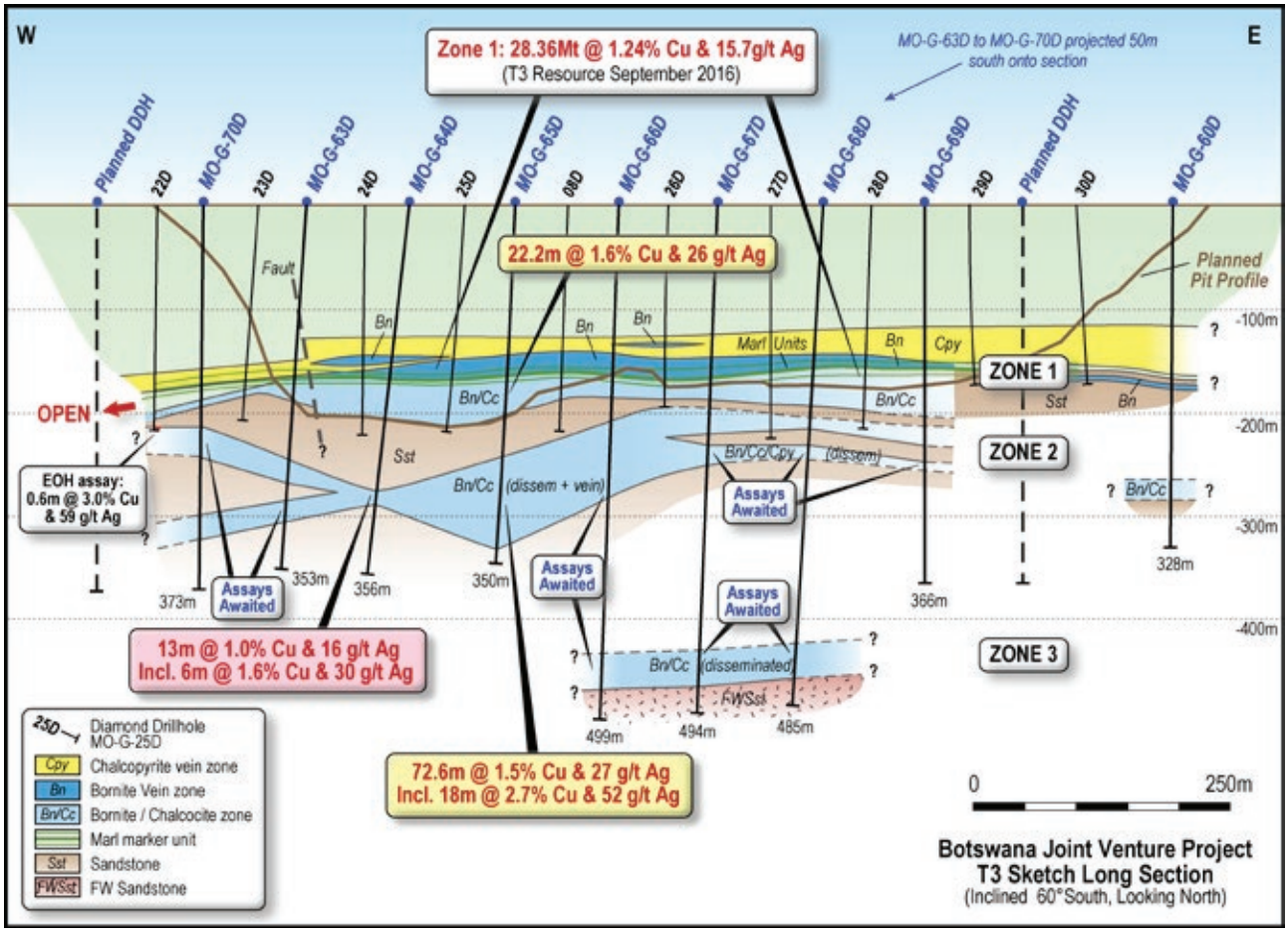

Figure 3: Interpreted T3 long section (inclined 60° South) showing new bornite, chalcocite zone (Zone 2) below T3 resource

Metallurgical Test Work – T3

During the September quarter, MOD's metallurgical consultants Independent Metallurgical Operations conducted test work on mineralised drill core from T3.

		Calc Head		Copper		Silver		
Composite	Mass Pull %	Cu %	Ag ppm	% Rec	Conc Grade %	% Rec	Conc Grade ppm	Bond WI kWh/t
Chalcopyrite	4.1	1.40	7	96.5	33.0	65.9	111	14.5
Bornite	3.1	1.54	38	94.7	47.3	90.2	1101	12.3
Chalcocite	3.3	1.26	17	93.8	36.0	88.8	453	14.1
HG* Chalcopyrite	11.3	4.09	40	98.0	35.5	96.3	340	-
HG* Bornite	8.6	4.25	93	96.3	47.6	92.3	996	-
HG* Chalcocite	11.2	6.86	149	98.7	60.6	97.5	1304	-

Table 2: Preliminary Test work Results
Note: HG = high-grade Cu composite samples (>4.0% Cu and >40ppm Ag)*

Test work results demonstrate high concentrate grades, between 33% and 60.6% Cu, can be achieved at high recoveries, between 93.8% and 98.7% Cu, for all three copper sulphide domains (chalcopyrite, bornite and chalcocite) in disseminated and vein hosted mineralisation within the resource (Table 2). Silver recoveries are also excellent (up to 97.5%) from high-grade chalcocite ores. Importantly, the concentrates appear low in deleterious elements (e.g. < 279ppm As), generally well below penalty levels for smelters. Additional test work is required to optimise recoveries and concentrate grades providing an opportunity for further improvements.

The preliminary results indicate it is possible to generate clean, high-grade, low impurity concentrates at a low mass pull with very high recoveries. Results were achieved at a relatively coarse primary grind of P80 = 150·m, that coupled with the relatively low Bond Ball Mill Work Index values of 12.3 – 14.5 kWh/t, provides an early indication that the power requirements for grinding the ore should be relatively low.

Scoping Study – T3

On 6 December 2016, MOD announced the results of a scoping study for an open pit mining and processing operation at T3, based on the maiden Resource. The scoping study was undertaken by independent specialist consultants located in Australia, South Africa, and Botswana.

The scoping study indicated potential for strong financial outcomes and will be further evaluated during the pre-feasibility study (PFS), which started in early 2017.

Key Outcomes of T3 Scoping Study

The scoping study includes an optimised pit design to approximately 220m vertical depth and construction of a processing plant to treat 2Mtpa of ore with potential for future low cost expansion if required. Pre-stripping of the first stage of the planned open pit is scheduled to commence in 2019 with ore processing targeted to commence later in 2019.

Total indicative mine life is approximately 10 years with 9.25 years of ore production with estimated life of mine (LOM) average production of approximately 21.8ktpa copper and 665kozpa silver.

Based on the results of the scoping study a decision was made to proceed with a PFS commencing in early 2017. The PFS is considering optimising the mining schedule and evaluating options to reduce project capital and operating costs with a view to further enhancing the already robust metrics of the T3 project.

Scoping Study Parameters - Cautionary Statements

The scoping study referred to in this Annual Report has been undertaken to determine the potential viability of an open pit mine and sulphide flotation processing plant constructed onsite at T3 and to reach a decision to proceed with more definitive feasibility studies commencing in early 2017.

It is a preliminary technical and economic study of the potential viability of the T3 deposit. It is based on low level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further evaluation work and appropriate studies are required before MOD will be able to estimate any ore reserves or to provide any assurance of an economic development case.

Approximately 88% of the total LOM production target is in the Indicated Resource category with 12% in the Inferred Resource Category. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further infill drilling of the T3 resource will result in the determination of indicated mineral resources or that the production target itself will be realised.

The scoping study is based on the material assumptions outlined in MOD's announcement of 6 December 2016. These include assumptions about the availability of funding. While MOD considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the scoping study will be achieved.

To achieve the range of proposed feasibility studies and potential mine development outcomes indicated in the scoping study, additional funding will likely be required. Investors should note that there is no certainty that MOD will be able to raise funding when needed. The Company has concluded it has a reasonable basis for providing the forward looking statements included in this announcement and believes that it has a "reasonable basis" to expect it will be able to fund the development of the project.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the scoping study.

REGIONAL EXPLORATION

On 17 February 2016, the Company announced that the JV had commenced drilling at T4. On 2 March 2016, the Company announced the first five RC drill holes at the Tshimologo Prospect (target 'T4') had intersected significant down hole widths of disseminated Cu mineralisation. Drilling intersected both oxide Cu (malachite and chrysocolla) and deeper sulphide Cu (chalcocite and bornite) mineralisation.

On 1 April 2016, MOD announced that of the five RC drill holes, the most significant intersection was in drill hole MO-A-04R which intersected 2m @ 6.12% Cu and 111g/t Ag from 101m down hole depth within a wider zone of lower grade Cu mineralisation between 96-105m down hole width. MO-A-04R also included a 1m assay of 0.32g/t Au from 101m down hole depth, associated with high grade Cu and Ag. An orientation IP survey was conducted on three lines across the copper soil anomaly.

The survey was conducted by South African consultants, Spectral Geophysics, using an IRIS VIP4000 4kva IP transmitter powered by a 15kva generator. Several moderate to weak chargeability anomalies were detected, some of which appear to be closely associated with the interpreted shear zone. Further interpretation is required to determine if these IP anomalies are related to the soil anomaly, which extends along the shear zone, west of the area drilled by MOD and MTR.

In the June quarter, two teams explored for satellite deposits in the region surrounding T3 and also in prospective areas extending up to 150km west and 80km north of T3. One team tested IP and copper soil anomaly targets already identified along the 25km long T3 Dome and the other conducted soil sampling along structural anomalies identified from magnetic data within the joint venture's other extensive holdings.

The Company announced identification of several new copper anomalies from its regional soil sampling campaign. The highest priority target was at T2, located directly along strike from MOD's 100% owned high-grade Mahumo copper/silver deposit.

Two strong copper soil anomalies were identified at T2, approximately 20km north of the T3 deposit and 3.5km west and 5.5km east of Mahumo. Both anomalies comprise wide intervals of consistently high values up to 85ppm Cu in the T2-West anomaly and up to 83ppm Cu in the T2-East anomaly (Figure 4).

Following the early success in shallow RC drilling at T2-West, the focus of drilling shifted to T3 which soon demonstrated the mineralisation could extend along strike from T3 opening up potential to the west and east of the current resource area.

The first exploratory hole 2km east of T3, MO-G-29R intersected 3m @ 0.7% Cu and 9.3g/t Ag including 1m @ 4% Zn, highlighting the untested potential in this area.

An evaluation of MOD's 100% owned T1 (Mahumo) Cu/Ag deposit, 20km northeast of T3 and located along the northern boundary of the T3 Dome, commenced during the December quarter. This work included a proposal to test for extensions to high grade mineralisation below the current resource to around 600m depth and to review MOD's 2015 mining scoping study, assuming underground ore could be treated at the planned T3 process plant (Figure 4).

During the December quarter, soil sampling was carried out over MOD's 100% owned T13 prospect located ~100km NE of T3 and approximately on the same structural zone which hosts Cupric's substantial Boseto copper/silver deposits. A strong copper anomaly (peak value 152ppm Cu) was defined along a >2km zone which is interpreted from magnetics to occur on the southern limb of an anticline.

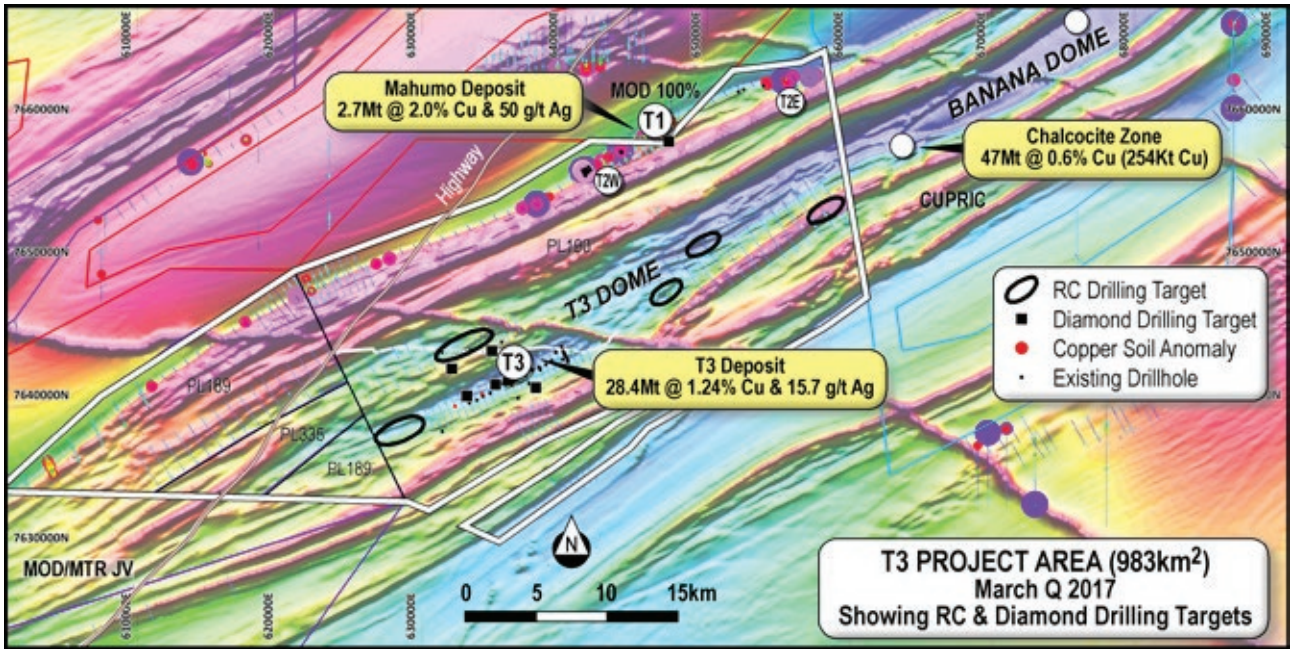

Figure 4: Magnetic image showing T3 Project Area and planned drilling targets for March Quarter 2017

Regional Licences and Exploration Programs

In December 2016, the Botswana Mines Minister granted two-year extensions for 10 JV licences, which cover the T3 Dome and extend >150km to the Namibian Border (Figure 1). These licences were also transferred into the JV owned Botswana operating company, Tshukudu Metals Botswana (Pty) Ltd.

In addition, Tshukudu Metals entered an option agreement to acquire two additional licences immediately west of Ghanzi which cover a wide domal structure interpreted from magnetics to be a potential extension to the regional structural corridor that hosts the T3 and T1 deposits, and Cupric Canyon Capital's Zone 5 deposit and Banana Zone resources (Figure 4). If the option is exercised, it will extend MOD's JV and 100% holdings to over 200km strike length in the central structural zone with numerous targets identified for testing.

There is minimal previous effective exploration and no known outcrop on the two Ghanzi West option licences. A number of anomalous surface copper values reported on the licences are based on portable XRF analysis and require verification by conventional, systematic soil sampling and laboratory analysis planned in June quarter 2017.

During the December quarter, the MOD exploration team conducted soil sampling programs over several prospective targets, including T12, T16, T18 and T19 located near the Namibian border. Despite proximity to Ghanzi and easy access on farm roads there has been no previous exploration known in this area.

One of the more compelling targets, T12, is located at the intersection of a major NE trending regional structure which hosts T4, T1 and Zone 5, and which extends >300km through the centre of the Kalahari Copper Belt. Approximately 2,000 soil samples were collected from T12 and have been submitted to a laboratory in Johannesburg for analysis (Figure 1).

SAMS CREEK GOLD PROJECT, NEW ZEALAND (MOD 80%, OCEANAGOLD CORPORATION 20%)

As announced on 18 January 2016, MOD appointed PCF Capital Group Pty Limited (PCF Capital) to divest part, or all of MOD subsidiary Sams Creek Gold Ltd's 80% joint venture interest in the 1Moz Sams Creek Gold Project in New Zealand. PCF Capital is an Australian based independent investment banking firm servicing clients mainly in the resource sector.

In the June quarter, MOD held meetings with the New Zealand Department of Petroleum and Minerals and applied for a four-year extension to the Exploration Permit covering the Sams Creek gold deposit. The four- year extension was granted in the December quarter.

CORPORATE

On 20 April 2016, MOD successfully raised $2 million (before costs) from a placement of shares to advance the drilling program at the T3 Dome and explore the potential of other targets identified on the Company's extensive JV and 100% holdings in the Kalahari Copper Belt. The placement involved the issue of approximately 67 million ordinary fully paid shares at an issue price of 3c per share and was within the Company's existing placement capacity.

On 25 May 2016, the Company issued 6.5 million fully paid ordinary shares and 3.25 million listed 1c options expiring 1 May 2018 to MOD director, Mr Simon Lee AO pursuant to his subscription to the rights issue that occurred in October 2015 and 18 million unlisted 6c options expiring 15 April 2019 to the remaining MOD directors in lieu of cash as a part of cost reduction measures, following shareholder approval at the Annual General Meeting.

On 14 June 2016, 21 million unlisted 20c options exercisable on or before 12 June 2016 expired without exercise and during the quarter, approximately 18.7 million listed 1c options were exercised.

On 18 July 2016, the Company announced a 1:10 non-renounceable pro rata entitlement offer at 2.4c with an attaching 6c unlisted option expiring on 15 April 2019 for every four shares subscribed to raise up to approximately $3.1 million (before costs). The offer closed heavily oversubscribed with applications totalling approximately $4.3 million (before costs), representing an oversubscription of approximately 39%.

In addition to funding the substantial activities at the T3 Deposit and other targets along the T3 Dome, funds raised from the entitlement offer were applied to a dedicated exploration campaign at several other copper surface anomalies identified in the region, pay down a portion of the Company's debt, and provide for working capital requirements.

On 19 December 2016, the Company raised approximately $5.5 million (before costs) from an institutional placement to accelerate the development of T3 and increase the rate of exploration, particularly along the T3 Dome.

The majority of proceeds of the placement were used to finance feasibility studies with the objective to reach a decision to mine at T3 by early 2018. Proceeds also enabled a substantial 2017 exploration program continuing the strategy that lead to the early, low cost discovery of T3 at shallow depth.

The placement involved the issue of approximately 188.6 million fully paid ordinary shares at 2.9c and included commitments from MOD directors for a total value of $300,000, which received shareholder approval on 20 February 2017. The placement was within the Company's placement capacity and the offer price represented a discount of approximately 4.8% to the 15-day VWAP.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year, other than as described in the Review of Operations.

ENVIRONMENTAL REGULATION

The Company's exploration activities are subject to significant environmental regulations under Botswana and New Zealand legislation.

The Company is committed to achieving a high standard of environmental performance. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

The Company aims to minimise the impact on the environment which results from our operations. The Company believes that all employees, contractors, consultants and persons associated with the Company have to be involved in achieving environmental objectives and targets.

The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements. As announced on 30 March 2017, Tshukudu Metals has applied for approval for the next phase of exploration drilling at T3 and has been notified by the Department of Environmental Affairs that an Environmental Impact Assessment (EIA) will be required. Components of the EIA are already in progress as part of the PFS and will be included into the exploration EIA.

OCCUPATIONAL HEALTH AND SAFETY

MOD recognises that the health and safety of its workforce underpins its ability to achieve its strategic goals and considers that effective management of health, safety and environmental performance is an essential component to long term success.

MOD strives to achieve and sustain a position of excellence in the management of health and safety issues affecting its work environments and has implemented comprehensive safety management systems which include detailed standards and procedures, to ensure it complies with all applicable occupational health and safety legislation and industry standards.

The Company also recognises that it is the duty of its Board and Management to act as role models by being proactive in ensuring compliance with legislation requirements and implementing a safety culture through regular consultation and communication with all employees and contractors about health and safety matters.

Additionally, all employees and contractors have a responsibility to take reasonable care for their own health and safety, comply with MOD's health and safety systems and to ensure that their actions or omissions do not adversely affect the health and safety of others.

In January 2017, a full-time Health, Safety and Environmental officer was appointed by Tshukudu Metals to oversee activities relating to HSE issues at the Company's Botswana operating base in Ghanzi. At the same time Tshukudu Metals introduced daily reports from site detailing the wide range of HSE, Exploration and Feasibility activities that occur on site.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 15 February 2017, the Company announced the issue of 29,167,234 fully paid ordinary shares following the exercise of listed $0.01 options (MODO) expiring 1 May 2018.

On 21 February 2017, the Company announced the issue of 47,000,000 Performance Rights issued pursuant to the Company's Performance Rights Plan, approved by shareholders at the general meeting held 20 February 2017, which vest and become exercisable in two equal tranches, expiring 21 February 2022.

On 6 March 2017, the Company announced assay results had confirmed the discovery of significant widths and grades of copper and silver mineralisation below the current T3 resource, in particular, on intersection of 72.6m @ 1.5% Cu and 27g/t Ag in MO-G-65D from 250m down hole depth including a high grade intersection of 18m @ 2.7% Cu and 52g/t Ag from 280m which extends the potential >100m below current T3 resource and still open at depth (Figure 3).

On 8 March 2017, the Company announced 63,000,000 unlisted $0.06 options exercisable on or before 4 March 2017 expired without exercise.

On 17 March 2017, the Company announced it had welcomed a number of institutional investors onto its share register as a result of a A$14.6 million oversubscribed share placement (the Placement). Funds raised from the Placement will primarily be used towards a substantial CY17 exploration program, which aims to extend the T3 open pit to the east and west and at depth, the T3 dome, and to test other targets in the T3 area and regionally.

On 23 March 2017, the Company announced the issue of 594,739 fully paid ordinary shares following the exercise of listed $0.01 options (MODO) expiring 1 May 2018 and unlisted $0.06 options expiring 15 April 2019.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the controlled entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As outlined in the Review of Operations and Significant Events After the Reporting Date sections of the Directors' Report, the Directors consider the following as a summary of the likely developments and expected results for the next 12 months;

Botswana Copper/Silver Project

The MOD Board considers that the Company is now well positioned to benefit from the exploration upside of the Company's significant licence holding in the Kalahari Copper Belt and commercial development of the T3 Project.

Immediate priorities include;

- Complete T3 PFS and advance DFS towards decision to mine
- Increase resource, mine life & potentially uplift grade at T3
- Explore for new 'T3 Type' deposits within 1,000km^2 T3 Project Area
- Evaluate potential underground mine at T1, 20km north of T3
- Explore for major regional discovery outside T3 Project Area
- Build local employment, community, & government relationships
- Grow investor support globally, North America and UK

Sams Creek Gold Project

On 18 January 2016, MOD announced a decision to sell part, or all of MOD's 80% interest in the Sams Creek Gold Project in New Zealand which is a joint venture with OceanaGold Corporation. PCF Capital Group has been appointed as corporate advisor to assist MOD with this process. PCF Capital is an Australian based independent investment banking firm servicing clients mainly in the resource sector and was instrumental in negotiating the acquisition of DMI for MOD.

Corporate

The Board intends to continue operating at a level of expenditure designed to ensure that there are at all times sufficient funds in hand to continue operations for the foreseeable future, whilst at the same time progressing the exploration and potential development of its mineral exploration projects in an effective manner and will consider capital raising opportunities to fund future exploration and development programs or retire debt.

Earnings Per Share	Cents
Basic loss per share	(0.14)
Diluted loss per share	(0.14)

DIVIDENDS

In respect of the financial year ended 31 December 2016, no dividends were declared and paid (2015: Nil).

OPTIONS

During the year, the Company issued the following options:

- 18,000,000 unlisted $0.06 options expiring 15 April 2019 issued to key management personnel (Messrs Hanna, Clements, McGhee and Janse van Rensburg) approved by shareholders on 25 May 2016 Annual General Meeting.
- 3,250,000 listed $0.01 options expiring 1 May 2018 to key management personnel (Mr Lee) pursuant to his participation in the Company's nonrenounceable Rights Issue announced on 22 September 2015 and approved by shareholders on 25 May 2016 Annual General Meeting.
- 31,981,897 unlisted $0.06 options expiring 15 April 2019 to shareholders pursuant to their participation in the Company's nonrenounceable Rights Issue announced on 28 June 2016.

REMUNERATION REPORT (AUDITED)

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies.

The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages. No independent remuneration advisor was engaged during the year.

The Company has a Remuneration Committee. The members of this Committee during the year were non-executive directors, Messrs Lee AO and McGhee. There were no Remuneration Committee meetings held during the year as remuneration matters were considered at Board level.

The Company's broad remuneration policy is to ensure that remuneration levels are competitively set to be commensurate with director and executive responsibilities and to attract and retain appropriately qualified and experienced directors and senior executives.

During the year, the Company did not have a share option scheme or a formal policy of paying performance based bonuses. Unlisted options were granted to key management personnel at the discretion of the Board and subject to shareholder approval where required. These options vested immediately without any performance conditions but with exercise prices at a significant premium to the volume weighted average price at the date of grant.

Subsequent to year end, the Company implemented a Performance Rights Plan ("Plan") and Short Term Incentive Bonus Scheme ("STIB").

Performance Rights Plan (Plan)

The Plan is intended to assist the Company to attract and retain key staff, whether employees or contractors. The Board believes that grants made to eligible participants under the Plan will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the Plan will:

(a) enable the Company to incentivise and retain existing key management personnel and other eligible participants needed to achieve the Company's business objectives;
(b) enable the Company to recruit, incentivise and retain additional Key Management Personnel and other eligible participants needed to achieve the Company's business objectives;
(c) link the reward of key staff with the achievement of strategic goals and the long-term performance of the Company;
(d) align the financial interest of participants of the Plan with those of shareholders; and
(e) provide incentives to participants of the Plan to focus on superior performance that creates shareholder value.

Following shareholder approval of the Plan at the general meeting held 20 February 2017, the Board granted 47,000,000 Performance Rights to fourteen (14) eligible participants including Directors, Key Management Personnel, employees and select contractors operating on the Company's exploration, development, administrative, financial and corporate activities in Australia and Botswana.

The Board considers that the grant of Performance Rights is a cost effective and efficient reward for the Company to make to appropriately incentivise continued performance and is consistent with the strategic goals and targets of the Company.

The Performance Rights were granted with the following milestones and expiry dates:

Tranche	Milestone	Expiry Date
1.	The Company achieving a market capitalisation of $120 million for a period of 30 consecutive days	5 years from the date of issue
2.	The Company achieving a market capitalisation of $180 million for a period of 30 consecutive days	5 years from the date of issue

The milestones represented a premium of 89% and 183% to the market capitalisation of the Company at the time the Plan was put to shareholders to approve.

Short Term Incentive Bonus Scheme (STIB)

The STIB is the cash component of the at-risk remuneration, payable based on a mix of Company performance objectives relating to corporate, development and exploration milestones. At-risk remuneration strengthens the link between pay and performance. The purpose of the scheme is to reward employees for performance relative to expectations of their accountabilities, required behaviours and KPI's in relation to the delivery of annual business objectives. A reward structure that provides at-risk remuneration is also necessary as a competitive remuneration package in the Australian and global marketplace.

Performance criteria are assigned for both individual and Company performance and may vary from year to year.

Reflecting the importance attached to role clarity within MOD, individual performance criteria will be drawn directly from the role accountabilities in the participant's role description and demonstrated adherence to MOD's values. The performance criteria for the Managing Director are set by the Board and for employees are set by the Managing Director and reviewed by the Board.

Corporate performance criteria are set by the Board at the commencement of each financial year and may vary from time to time to include other aspects of performance for which there is shared accountability and which the Company wishes to emphasise.

Each performance criterion may be allocated a weighting for each year that reflects the relative importance of each performance criterion for the year.

Remuneration packages contain the following elements;
(i) Short Term benefits – salary/fees, cash benefits and non-cash benefits including parking fees.
(ii) Post-employment benefits – includes superannuation and prescribed retirement benefits.
(iii) Share based payments – includes issue of shares or unlisted options.

There is no relationship between the entity's performance over the past five years and the board policy for KMP remuneration.

Under the Company's Remuneration Policy, non-executive directors will receive a retirement benefit on retirement, resignation or termination, for any reason other than termination due to wilful misconduct. These arrangements are considered appropriate as an incentive to retain the requisite knowledge, skills and expertise within the organisation. These arrangements are reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

The following tables disclose the compensation of key management personnel as at 31 December 2016:

		Short Term	Post-Employment		Share Based Payments			Value of shares as proportion of remuneration
		Salary & Fees $	Super Contributions $	Retirement Benefits $	Options $	Shares $	Total $	%
Directors								
Mark Clements [i],[ii]	2016	108,000	-	-	88,656	-	196,656	45%
Executive Chairman & Company Secretary	2015	108,000	-	-	-	-	108,000	-
Julian Hanna [i]	2016	160,000	15,200	-	106,388	-	281,588	38%
Managing Director	2015	146,119	13,881	-	-	-	160,000	-
Steve McGhee [i]	2016	48,000	4,560	-	35,463	-	88,023	40%
Non-Executive Director	2015	48,000	4,560	-	-	-	52,560	-
Simon Lee AO [i]	2016	48,000	2,850	-	-	-	50,850	-
Non-Executive Director	2015	36,000	-	-	-	-	36,000	-
Totals	2016	364,000	22,610	-	230,507	-	617,117	
	2015	338,119	18,441	-	-	-	356,560	
Executives								
Jacques Janse van Rensburg [iii]	2016	166,251	-	-	88,656	-	254,907	35%
Business Development Manager	2015	108,000	-	-	-	45,000	153,000	29%
Paul Angus [iii]	2016	34,819	-	-	-	-	34,819	-
Project Manager Exploration (New Zealand)	2015	7,655	-	-	-	-	7,655	-
Totals	2016	201,070	-	-	88,656	-	289,726	
	2015	115,655	-	-	-	45,000	160,655	

Notes:

(i) On 25 May 2016, key management personnel were issued 18,000,000 unlisted options exercisable at $0.06 expiring on 15 April 2019 following shareholder approval at the annual general meeting held 25 May 2016.

(ii) Director and company secretarial services were provided by an associated company of Mr Clements. The director and company secretarial services were provided in the ordinary course of business and on normal commercial terms and conditions.

(iii) Consulting services were provided by an associated company of Messrs Janse van Rensburg and Angus in the ordinary course of business and on normal commercial terms and conditions.

Summary of executive contractual arrangements

The Remuneration Committee reviews and agrees Executive Service and Employment Agreements for Key Management Personnel on a periodic basis. The Remuneration Committee is also assisted, where appropriate, by external consultants specialising in remuneration reviews and other employment issues.

The following employment agreements were in place at 31 December 2016 and as at the date of this report, unless otherwise noted, based upon the following terms;

Mr Julian Hanna (Managing Director)

(i) Annual Salary of $120,000, inclusive of statutory superannuation (revised to $219,000 as at 1 July 2016; revised to $383,250 on 1 January 2017);
(ii) Termination by the Company is no less than 3 months notice or paying the aggregate of amounts which, but for such termination, would otherwise have been payable for a period of 3 months. Termination by Mr Hanna is with immediate effect.
(iii) In the event of a takeover or merger involving MOD which results in the termination of Mr Hanna's role as Managing Director, Mr Hanna will be paid in advance the equivalent of 12 months remuneration calculated at the annual rate at the time the takeover announcement is made.

The following Executive Services Agreements were in place at 31 December 2016 and as at the date of this report based upon the following terms;

Mr Mark Clements (Executive Chairman and Company Secretary)

(i) Monthly fees of $6,000 (revised to $12,000 as at 1 July 2016; revised to $22,000 on 1 January 2017);
(ii) Termination is not less than 1-month notice by either party of its intention not to renew the agreement.

Mr Jacques Janse van Rensburg (Business Development Manager)

(i) Monthly fees of $10,000 for mineral exploration services (revised to $15,000 as at 1 July 2016; revised to $16,666 on 1 January 2017);
(ii) Termination is not less than 3-month notice by either party of its intention not to renew the agreement.

Mr Paul Angus (Project Manager Exploration (New Zealand))

(i) Hourly rate of NZ$220 for project management services;
(ii) Termination is not less than 1-month notice by either party of its intention not to renew the agreement.

Key Management Personnel Holdings of Shares and Options

Option holdings of Key Management Personnel - 2016

	Balance 1.1.2016	Granted as Remuneration	Options Exercised	Net Change Other	Balance 31.12.2016	Vested at 31 December 2016 Total	Vested at 31 December 2016 Exercisable
Directors							
M Clements [i]	7,028,912	5,000,000	-	(4,391,326)	7,637,586	7,637,586	7,637,586
J Hanna [ii]	11,643,809	6,000,000	(2,023,689)	(6,856,265)	8,763,855	8,763,855	8,763,855
S Lee AO	-	-	-	4,186,650	4,186,650	4,186,650	4,186,650
S McGhee [iii]	18,409,098	2,000,000	-	835,230	21,244,328	21,244,328	21,244,328
Executives							
P Angus	3,000,000	-	-	(3,000,000)	-	-	-
J Janse van Rensburg	2,000,000	5,000,000	-	-	7,000,000	7,000,000	7,000,000
	42,081,819	18,000,000	(2,023,689)	(9,225,711)	48,832,419	48,832,419	48,832,419

Notes:

(i) Mr Clements is a director and shareholder of Balion Pty Ltd which is the holder of 5,606,141 unlisted $0.06 options expiring 15 April 2019 and 2,020,470 listed $0.01 options expiring 1 May 2018.

(ii) Mr Hanna is the spouse of Mrs Patricia Hanna who is the holder of 3,332,699 unlisted $0.06 options expiring 15 April 2019. Mr Hanna is the direct beneficiary of J Hanna Superannuation Fund which is the holder of 1,620,120 listed $0.01 options expiring 1 May 2018 and 811,036 unlisted $0.06 options expiring 15 April 2019.

(iii) Mr McGhee is a director and shareholder of McGhee Investment Holdings Pty Ltd which is the holder of 15,625,000 unlisted $0.06 options expiring 4 March 2017, 2,784,098 listed $0.01 options expiring 1 May 2018 and 835,230 unlisted $0.06 options expiring 15 April 2019.

Shareholdings of Key Management Personnel – 2016

	Balance 1.1.2016	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 31.12.2016
Directors					
M Clements [i]	24,346,940	-	-	2,434,695	26,781,635
J Hanna [ii]	43,725,684	-	2,023,689	7,009,633	52,759,006
S Lee AO [iii]	123,872,455	-	-	10,246,598	134,119,053
S McGhee [iv]	33,409,175	-	-	3,340,918	36,750,093
Executives					
P Angus	120,000	-	-	-	120,000
J Janse van Rensburg	18,375,000	-	-	1,722,068	20,097,068
	243,849,254	-	2,023,689	24,753,912	270,626,855

Notes:

(i) Mr Clements is a director and shareholder of Balion Pty Ltd which is the holder of 26,670,200 shares.
(ii) Mr Hanna is a trustee and beneficiary of the J Hanna Superannuation Fund which is the holder of 35,685,566 shares and the spouse of Mrs Patricia Hanna who is the holder of 14,638,745 shares.
(iii) Phoenix Properties International Pty Ltd is a Trustee of the Wellington Place Property Trust which is the holder of 92,906,477 shares. Mr Lee AO is not a director, shareholder or involved in the management of Phoenix Properties International Pty Ltd as trustee for the Wellington Place Property Trust. He is only a direct and indirect contingent beneficiary of this trust.
(iv) Mr McGhee is a director and shareholder of McGhee Investment Holdings Pty Ltd which is the holder of 36,750,093 shares.

Other Transaction and Balances with Key Management Personnel

Transactions with Directors

On 8 July 2013, MOD secured a $2 million loan from SHL Pty Ltd, a company controlled by a related party of MOD director Mr Lee, AO. The $2 million loan was unsecured for an initial 12-month period at an interest rate of 8% per annum, payable monthly in arrears. MOD was not required to pay an establishment fee for the loan and has the right to repay the loan early without incurring any penalty.

A Deed of Extension and Variation was signed on 5 May 2014 so as to extend the Initial Facility Period to end on 4 January 2015. MOD exercised its option to extend the term of the loan for a further 12-month period at a reduced interest rate of 7% per annum with the loan secured against the unencumbered assets of MOD subject to shareholder approval.

On 19 October 2015, MOD entered into a Deed of Amendment with SHL Pty Ltd to extend the repayment date for its existing $2 million loan to 4 April 2016. If MOD does not have the capacity to repay the loan on this date, the parties have agreed that the repayment date for the loan will be extended a further three months to 4 July 2016.

On 25 May 2016, MOD entered into a Deed of Extension and Variation with SHL Pty Ltd which stipulated that the Company was to repay a minimum of $0.5 million and outstanding interest payments owing to SHL by 4 July 2016. This condition was met by MOD and both parties agreed to review the financial capacity of the Company to repay the balance of the SHL Loan on a rolling 3-month basis.

Subsequent to year end, MOD repaid $0.25 million plus outstanding interest.

During the year, interest of $253,750 was paid to this entity (2015: 13,333) and $8,750 was payable as at 31 December 2016 (31 December 2015: $140,000).

Director and company secretarial services of $108,000 were provided by a company associated with Mr Clements (2015: $108,000), in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2016, $13,173 was payable (31 December 2015: $77,162).

Consulting services for metallurgical test work and scoping study of $197,260 (2015: $66,155) were provided by IMO Project Services Pty Ltd, a company associated with Mr McGhee in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2016, $16,170 was payable (31 December 2015: Nil).

Transactions with Executives

Consulting services of $166,251 (2015: $108,000) were provided by an associated company of Mr Jacques Janse van Rensburg. The consulting services were provided in the ordinary course of business and on normal commercial terms and conditions.

Consulting services of $34,819 (2015: $7,655) were provided by an associated company of Mr Angus. The consulting services were provided in the ordinary course of business and on normal commercial terms and conditions.

End of Remuneration Report

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors' of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings	
	A	B	A	B
M Clements	5	5	2	2
J Hanna	5	5	2	2
S Lee AO	5	5	1	2
S McGhee	5	5	2	2

A: number of meetings attended

B: reflects the number of meetings held during the time the directors were in office during the year.

In addition to the above, the directors met by circular resolution on 8 occasions during the year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not, during or since the financial year, in respect to any person who is or has been an officer of the Company or related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

During the year the Company paid insurance premiums of $20,000 to insure directors and officers against liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by the Corporations Act 2001.

AUDIT COMMITTEE

The Company has an Audit Committee. The members of this committee during the financial year were Messrs Lee AO and McGhee, whose qualifications are outlined in the Directors' Report. The external auditors and Executive Directors are invited to Audit Committee meetings at the discretion of the Committee. The Audit Committee meets as required. The Committee met on two occasions during the year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 19 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 28 of this financial report and forms part of this Directors' Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

Signed in accordance with a resolution of the Directors.

MARK CLEMENTS
Executive Chairman
31 March 2017

AUDITOR'S DECLARATION OF INDEPENDENCE

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MOD RESOURCES LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of MOD Resources Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Petricevic
Partner - Audit & Assurance

Perth, 31 March 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of MOD Resources is a strong advocate of corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (Recommendations) where considered appropriate for a company of MOD Resources size and complexity.

The 3rd edition of the ASX Corporate Governance Principles and Recommendations was introduced on 27 March 2014 and took effect for a listed entity's first full financial year ending on or after 31 December 2014. Accordingly, this Corporate Governance Statement has been prepared on the basis of disclosure under the 3rd edition of these principles.

This statement describes how MOD Resources has addressed the Council's guidelines and eight corporate governance principles and where the Company's corporate governance practices depart from a recommendation, the Company discloses the reason for adoption of its own practices on an "if not, why not" basis.

Given the size and stage of development of the Company and the cost of strict compliance with all the recommendations, the Board has adopted a range of modified procedures and practices which it considers appropriate to enable it to meet the principles of good corporate governance. The information in this Statement is current as at 31 March 2017.

The following governance-related documents can be found on the Company's website at www.modresources.com.au under the section marked "Corporate Governance – Policy Manual":

Charters

- Board
- Audit Committee
- Remuneration Committee

Policies and Procedures

- Board Performance Evaluation
- Code of Conduct
- Shareholder Communications
- Continuous Disclosure Policy
- Securities Trading Policy
- Diversity Policy
- Risk Management and Internal Control Policy
- Health & Safety Policy
- Environment Policy

Principle 1: Lay solid foundations for management and oversight
"Establish and disclose the respective roles and responsibilities of board and management."

BOARD OF DIRECTORS

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholders value. To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity, including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board Charter are set out on the Company's website.

The Board has delegated responsibility for operation and administration of the Company to the Executive Director and senior executives.

Board Processes

To assist in the execution of its responsibilities, the Board has established a Remuneration Committee and an Audit Committee. The committees have written mandates which are reviewed on a regular basis. The Board has also established a framework for the management of the consolidated entity including system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Composition of the Board

The Board as at the date of this report are:
Mr Mark Clements, Executive Chairman and Company Secretary
Mr Julian Hanna, Managing Director
Mr Steven McGhee, Technical Director
Mr Simon Lee AO, Non-Executive Director

The composition of the Board is determined using the Statement of Selection and Appointment of New Directors contained in the Board Charter on the Company's website.

The names, skills, experiences, expertise, and appointment dates of the directors of the Company in office at the date of this report are set out in the Directors' Report.

Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the Director must be made available to all other members of the Board.

Term of office

The Company's constitution specifies that all Directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election. Mr Lee AO is expected to seek reelection at the 2017 AGM.

Principle 2: Structure the Board to add value

"Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties."

DIRECTORS' INDEPENDENCE

The Company does not have a majority of Independent Directors appointed at present.

The Board recognises the value of independence and has established clear protocols for handling conflicts of interests.

Mr Mark Clements, the Chairman, Mr Hanna and Mr McGhee are not considered Independent Directors as they are executives of the Company.

Mr Simon Lee AO is not considered an independent director as he is a direct and indirect contingent beneficiary of the Wellington Place Property Trust, which its trustee, Phoenix Properties International Pty Ltd is a substantial shareholder of the Company.

Directors have been chosen for their skills, expertise, and the value they can add to the Board at this time. The Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective. Under the Company's Directors and Executives Code of Conduct, all directors have agreed not to participate in any decision in which they are conflicted. The Board is of the view that it has achieved an appropriate balance between independent representation and maintaining sufficient experience for the Board to fulfil its responsibilities.

Chairman and Chief Executive Officer

The roles of Chairman and Managing Director are separated. The roles and responsibilities are set out in the Company's Board Charter and Code of Conduct.

Nomination Committee

There is no separate Nomination Committee as a sub-committee. The functions to be performed by a nomination committee under the ASX Corporate Governance Council's Principles and Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising MOD's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Performance Assessment

The Board undergoes periodic formal assessments, as and when considered appropriate.

Principle 3: Promote ethical and responsible decision-making
"Actively promote ethical and responsible decision making."

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a senior executive to whom they may refer any issues arising from their employment. The Board reviews the ethical standards related policies regularly and processes are in place to promote and communicate these policies.

CODE OF CONDUCT

The consolidated entity has advised each director, senior executive and employee that they must comply with the Company's Code of Conduct. The Code may be viewed at the Company's website, and it covers the following:

- the pursuit of the highest standards of ethical conduct in the interests of shareholders and other stakeholders;
- usefulness of financial information by maintaining appropriate accounting policies and practices and disclosure;
- employment practices such as employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community;
- compliance with all legislation affecting the operations and activities of the consolidated entity, both in Australia and overseas;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- protection and proper use of the Company's assets;
- compliance with laws; and
- reporting of unethical behaviour.

CONFLICT OF INTEREST

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

All directors have an obligation to immediately advise the Company of all changes to their interests in shares, options and debentures, if any, in the Company and its associates for reporting to the ASX by the Company Secretary.

Directors and employees may not deal in securities of the Company when in possession of any information which, if made publicly available, could reasonably be expected to materially affect the price of the Company's securities, whether upwards or downwards. Legal advice will be obtained by the Company Secretary on behalf of the Director and employees in circumstances where any doubt exists.

The Trading Policy may be viewed at the Company's website.

DIVERSITY

The Board is committed to having an appropriate blend of diversity on the Board and in all areas of the Group's business. The Board has established a policy regarding gender, age, ethnic and cultural diversity. Details of the policy are available on the Company's website.

Diversity Policy

The Company and all its related bodies corporate are committed to workplace diversity.

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's *Principles and Recommendations*.

The Diversity Policy does not form part of an employee's contract of employment with the Company, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the Diversity Policy forms a direction of the Company with which an employee is expected to comply.

The key objectives of the Diversity Policy are to achieve:
(a) a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
(b) a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
(c) improved employment and career development opportunities for women;
(d) a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
(e) awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity,

(collectively, the Objectives).

The Diversity Policy does not impose on the Company, its directors, officers, agents or employee any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.

Diversity Reporting

The Group's gender diversity as at the end of the reporting period is as follows:

Gender representation	31 December 2016				31 December 2015			
	Female		Male		Female		Male	
	No	%	No	%	No	%	No	%
Board representation	-	-	4	100	-	-	4	100
Group representation	9	27	24	73	3	23	10	77

The following senior positions with the Group are currently held by female employees:

- Group Accountants
- Office Manager

The Company's proposed diversity objectives for the 2017 financial year are to continue to assess and proactively monitor gender diversity at all levels of MOD's business and report to the Board and to continue to assess and monitor the implementation and effectiveness of the Company's diversity initiatives and programs.

Principle 4: Safeguard integrity in financial reporting
"Have a structure to independently verify and safeguard the integrity of the company's financial reporting."

AUDIT COMMITTEE

The Audit Committee has a documented charter approved by the Board. All members of the Audit Committee must be non-executive directors, consist of majority of independent directors, is chaired by an independent director and has at least three members. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. The external auditors and Executive Directors are invited to Audit Committee meetings at the discretion of the Committee. The Audit Committee meets as required.

Two of the members of this committee during the year were the Chairman of this committee, Mr Steven McGhee, who was an independent non-executive director and nonexecutive director, Mr Simon Lee AO. As the Company is not a S&P All Ordinaries Top 300 Company, it is exempt under ASX Listing Rule 12.7 from maintaining an Audit Committee and thus in compliance with Recommendation 4.1. However, the Company continues to have an Audit Committee as a principle of best practice.

The Managing Director and Company Secretary (Chief Financial Officer equivalent) have declared in writing to the Board that the Company's financial reports for the year ended 31 December 2016 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

The Audit Committee's charter is available on the Company's website.

Responsibilities of the Audit Committee

The responsibilities of the Audit Committee include reporting to the Board on:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- reviewing the Company's policies and procedures for convergence with International Financial Reporting Standards;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.
- reviewing the appointment and performance of the external auditor;
- assessing the adequacy of the internal control framework and the Company's code of conduct; and
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any other significant adjustments required as a result of the auditor's findings and to recommend Board approval of these documents, prior to announcement of results; and
- review the draft financial report and recommend Board approval of the financial report.

Information on procedures in relation to these matters may be viewed in the Audit Committee Charter on the Company's website.

Grant Thornton Audit Pty Ltd, who is the current external auditor, has an independence policy of rotating the audit partner at least every 5 years.

Principle 5: Make timely and balanced disclosure
"Promote timely and balanced disclosure of all material matters concerning the company."

CONTINUOUS DISCLOSURE TO ASX

The Company's shares are listed on the ASX and as such the Company is required to comply with the continuous disclosure requirements set out in the ASX Listing Rules. The Managing Director is responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered and all senior executives are responsible for monitoring the Group's internal and external environment for information or events potentially requiring disclosure.

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy.

The Continuous Disclosure Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market. The detail of this policy is available on the Company's website.

Principle 6: Respect the rights of shareholders
"Design a communications policy for promoting effective communication with shareholders."

COMMUNICATION WITH SHAREHOLDERS

The Board provides shareholders with information using a Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure policy operates as follows:

- the annual report is distributed to all shareholders (unless a shareholder has opted not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments. The annual report is posted on the Company's website;
- the half-yearly report and preliminary final report contain summarised information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report and full year audited financial report are lodged with the ASX, and sent to any shareholder who requests a copy. The half-yearly report is posted on the Company's website;
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- transcripts of analyst and media presentations are placed on the Company's website; and
- the external auditor is requested to attend the annual general meeting to answer any questions concerning the audit and the content of the auditor's report.

Principle 7: Recognise and manage risk
"Establish a sound system of risk oversight and management and internal control."

OVERSIGHT OF THE RISK MANAGEMENT SYSTEM

The Board oversees the establishment, implementation and annual review of the Company's risk management system. Management has an established approach for assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity.

The Managing Director has declared in writing to the Board that the risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The Risk Management and Internal Control Policy may be viewed at the Company's website.

Risk Profile

Major risks for the consolidated entity arise from such matters as exchange rates, political and economic climate in areas of investments, operational risks and financial reporting.

Risk Management and Compliance and Control

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The consolidated entity has established a system of internal controls which takes account of key business exposures. The system is designed to provide reasonable assurance that assets are safe-guarded, proper accounting records are maintained and financial information is reliable. The system is based upon detailed financial and operating reporting, written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

Operating practices have been established to ensure:

- major capital expenditure commitments obtain prior Board approval;
- financial exposures are controlled, including the use of derivatives;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Financial Reporting

In accordance with section 295A of the Corporations Act, the Managing Director and Company Secretary (Chief Financial Officer equivalent) have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly
"Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is clear."

REMUNERATION COMMITTEE

The Remuneration Committee has a documented charter approved by the Board. The Remuneration Committee should consist of non-executive directors of which a majority should be independent directors, is chaired by an independent director and has at least three members. The Remuneration Committee meets as required. The Committee attendance is disclosed in the Directors' Report.

The Chairman of this committee is nonexecutive director, Mr Simon Lee AO and includes Mr Steve McGhee.

The Remuneration Committee's charter is available on the Company's website.

Remuneration of directors and executives

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive directors, senior executives and directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies.

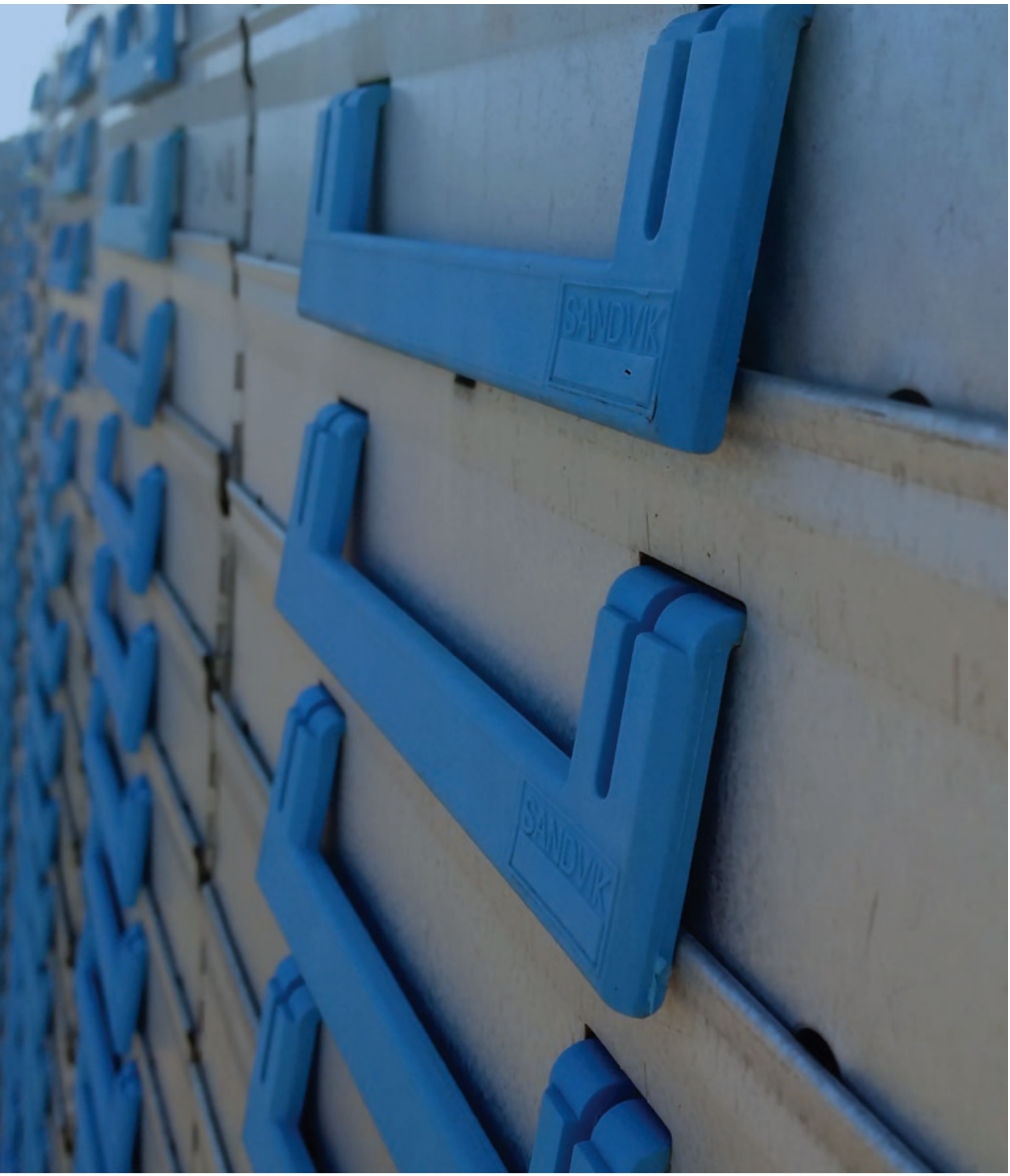
Remuneration Policies

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The Remuneration Committee, when deemed necessary, obtains independent advice on the appropriateness of remuneration packages.

The Remuneration Committee meets as required.

Under the Company's Remuneration Policy, non-executive directors will receive a retirement benefit on retirement, resignation or termination, for any reason other than termination due to wilful misconduct. These arrangements are considered appropriate as an incentive to retain the requisite knowledge, skills and expertise within the organisation. These arrangements are reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

ANNUAL FINANCIAL REPORT 2016



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	5	5,546,079	452,553
Trade and other receivables	6	245,259	405,320
Other current assets		49,333	40,280
		5,840,671	898,153
Non-current assets held-for-sale	8	-	78,300
TOTAL CURRENT ASSETS		5,840,671	976,453
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	9	15,735,511	11,321,429
Plant and equipment	10	71,398	18,368
TOTAL NON-CURRENT ASSETS		15,806,909	11,339,797
TOTAL ASSETS		21,647,580	12,316,250
CURRENT LIABILITIES			
Trade and other payables	11	1,709,672	537,936
Interest bearing liabilities	12	1,500,000	2,000,000
Employee benefits provision	13	30,492	11,661
TOTAL CURRENT LIABILITIES		3,240,164	2,549,597
NON-CURRENT LIABILITIES			
Trade and other payables	11	-	110,628
TOTAL NON-CURRENT LIABILITIES		-	110,628
TOTAL LIABILITIES		3,240,164	2,660,225
NET ASSETS		18,407,416	9,656,025
EQUITY			
Issued capital	14	72,736,019	62,780,151
Share option reserves	16	354,720	490,798
Foreign currency translation reserves	15	1,610,205	1,241,421
Accumulated losses	17	(56,314,903)	(54,879,835)
Equity attributable to equity holders of the Parent		18,386,041	9,632,535
Non-controlling interests		21,375	23,490
TOTAL EQUITY		18,407,416	9,656,025

The above financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 $	2015 $
Continuing operations			
Interest income	3	18,825	3,052
Gain on acquisition of assets	8	-	54,810
Share-based payments	3	(319,163)	(101,130)
Administrative expenses	3	(1,095,630)	(711,389)
Exploration and evaluation expenditure expensed		-	(21,154)
Impairment loss on exploration and evaluation expenditure	3	(395,732)	(249,679)
(Loss)/gain on disposal of plant and equipment	3	(6,572)	14,873
Interest expense	3	(122,500)	(140,000)
Loss before income tax from continuing operations		(1,920,772)	(1,150,617)
Income tax benefit	4	-	86,251
Net loss for the year		(1,920,772)	(1,064,366)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences attributed to parent		368,784	(278,042)
Foreign currency translation differences attributed to non-controlling interest		28,348	-
Other comprehensive income/(loss) for the year, net of tax		397,132	(278,042)
Total comprehensive loss for the year		(1,523,640)	(1,342,408)
Net loss for the year attributable to:			
Equity holders of the parent		(1,890,309)	(1,064,366)
Non-controlling interest		(30,463)	-
		(1,920,772)	(1,064,366)
Total comprehensive loss for the year attributable to:			
Equity holders of the parent		(1,521,525)	(1,342,408)
Non-controlling interest		(2,115)	-
		(1,523,640)	(1,342,408)
Loss per share attributable to the ordinary equity holders of the parent:			
Basic loss per share (cents per share)	18	(0.14)	(0.11)
Diluted loss per share (cents per share)	18	(0.14)	(0.11)

The above financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Issued Capital $	Share Option Reserves $	Foreign Currency Translation Reserves $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
At 1 January 2016		62,780,151	490,798	1,241,421	(54,879,835)	9,632,535	23,490	9,656,025
Net loss for the year		-	-	-	(1,890,309)	(1,890,309)	(30,463)	(1,920,772)
Other comprehensive loss		-	-	368,784	-	368,784	28,348	397,132
Total comprehensive loss for the year		-	-	368,784	(1,890,309)	(1,521,525)	(2,115)	(1,523,640)
Transaction with owners in their capacity as owners								
Issuance of shares	14(c)	10,543,902	-	-	-	10,543,902	-	10,543,902
Share-based payments - Options	16	-	319,163	-	-	319,163	-	319,163
Options lapsed and exercised		-	(455,241)	-	455,241	-	-	-
Capital raising costs	14(c)	(588,034)	-	-	-	(588,034)	-	(588,034)
At 31 December 2016		72,736,019	354,720	1,610,205	(56,314,903)	18,386,041	21,375	18,407,416
At 1 January 2015		61,057,110	1,130,563	1,519,463	(54,491,364)	9,215,772	-	9,215,772
Net loss for the year		-	-	-	(1,064,366)	(1,064,366)	-	(1,064,366)
Other comprehensive loss		-	-	(278,042)	-	(278,042)	-	(278,042)
Total comprehensive loss for the year		-	-	(278,042)	(1,064,366)	(1,342,408)	-	(1,342,408)
Transaction with owners in their capacity as owners								
Issuance of shares	14(c)	1,880,413	-	-	-	1,880,413	-	1,880,413
Share-based payments - Options	16	-	36,130	-	-	36,130	-	36,130
Options expired		-	(675,895)	-	675,895	-	-	-
Capital raising costs	14(c)	(157,372)	-	-	-	(157,372)	-	(157,372)
Non-controlling interest							23,490	23,490
At 31 December 2015		62,780,151	490,798	1,241,421	(54,879,835)	9,632,535	23,490	9,656,025

The above financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,324,740)	(652,590)
Research & development tax refund		-	86,251
Income tax refund		-	11,920
Net cash used in operating activities	5(b)	(1,324,740)	(554,419)
Cash flows from investing activities			
Payments for exploration and evaluation		(3,204,855)	(685,277)
Interest income received		16,683	4,133
Acquisition of plant and equipment		(32,396)	(5,096)
Proceeds from sale of plant and equipment		26,164	14,669
Net cash used in investing activities		(3,194,404)	(671,571)
Cash flows from financing activities			
Repayment of shareholder loan		(500,000)	-
Interest expense paid		(253,750)	(13,333)
Proceeds from issue of share capital	14(c)	10,826,402	1,286,201
Capital raising costs		(553,965)	(104,513)
Net cash provided by financing activities		9,518,687	1,168,355
Net increase/(decrease) in cash and cash equivalents		4,999,543	(57,635)
Net foreign exchange differences		93,983	(5,335)
Cash and cash equivalents at the beginning of the financial year		452,553	515,523
Cash and cash equivalents at the end of the financial year	5(a)	5,546,079	452,553

The above financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial report of MOD Resources Limited for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of directors on 31 March 2017.

MOD Resources Limited (the "Company" or "Parent") is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. MOD Resources Limited and its subsidiaries (the "Group") are a for-profit entity.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for other financial assets at fair value through statement of profit or loss and other comprehensive income that have been measured at fair value.

The financial report is presented in Australian dollars.

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

(b) New and revised standards that are effective for these financial statements

(i) Changes in accounting policy and disclosures

There have been no major standards coming into effect for the first time to year ending 31 December 2016.

(ii) Accounting standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2016 are outlined in the table below:

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods ending on or after .....)	Likely impact on initial application
AASB 9 *Financial Instruments (December 2014)* [Also refer to AASB 2013-9 and AASB 2014-1 below]	AASB 139 Financial Instruments: Recognition and Measurement	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows. b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2018	The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Accounting standards and Interpretations issued but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods ending on or after .....)	Likely impact on initial application
AASB 9 *Financial Instruments (December 2014)* continued	(as above)	e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI') • the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: • classification and measurement of financial liabilities; and • derecognition requirements for financial assets and liabilities. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.		

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods ending on or after .....)	Likely impact on initial application
AASB 15 *Revenue from Contracts with Customers*	AASB 118 *Revenue* AASB 111 *Construction Contracts* Int. 13 *Customer Loyalty Programmes* Int. 15 *Agreements for the Construction of Real Estate*	AASB 15: replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations: - establishes a new revenue recognition model - changes the basis for deciding whether revenue is to be recognised over time or at a point in time - provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) - expands and improves disclosures about revenue.	1 January 2018	The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.
AASB 15 *Revenue from Contracts with Customers* continued	Int. 18 *Transfer of Assets from Customers* Int. 131 *Revenue – Barter Transactions Involving Advertising Services* Int. 1042 Subscriber Acquisition Costs in the Tele-communications Industry	In May 2015, the AASB issued ED 260 *Income of Not-for-Profit Entities*, proposing to replace the income recognition requirements of AASB 1004 *Contributions* and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of re-deliberating its proposals with the aim of releasing the final amendments in late 2016.		

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Accounting standards and Interpretations issued but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods ending on or after .....)	Likely impact on initial application
AASB 16 *Leases*	AASB 117 *Leases* Int. 4 *Determining whether an Arrangement contains a Lease* Int. 115 *Operating Leases—Lease Incentives* Int. 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	AASB 16: • replaces AASB 117 *Leases* and some lease-related Interpretations • requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases • provides new guidance on the application of the definition of lease and on sale and lease back accounting • largely retains the existing lessor accounting requirements in AASB 117 • requires new and different disclosures about leases	1 January 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2019.
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	None	AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.	1 January 2018	Refer to the section on AASB 15 above.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	None	AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.	1 January 2018	Refer to the section on AASB 9 above.

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods ending on or after ....)	Likely impact on initial application
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	None	The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 *Business Combinations*. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business. This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.	1 January 2018	When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	None	AASB 2015-8 amends the mandatory application date of AASB 15 *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*.	1 January 2017	Refer to the section on AASB 15 above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Accounting standards and Interpretations issued but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods ending on or after .....)	Likely impact on initial application
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	None	AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.	1 January 2017	When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	None	AASB 2016-2 amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods ending on or after .....)	Likely impact on initial application
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	None	The amendments clarify the application of AASB 15 in three specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies: 1 Identify performance obligations (by clarifying how to apply the concept of 'distinct'); 2 Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle); 3 Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights). The amendments also create two additional practical expedients available for use when implementing AASB 15: 1 For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations. 2 Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.	1 January 2018	Refer to the section on AASB 15 above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Accounting standards and Interpretations issued but not yet effective (continued)

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods ending on or after .....)	Likely impact on initial application
AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	None	This Standard amends AASB 2 *Share-based Payment* to address: a The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; b The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.
Standards issued by the IASB, but not yet by the AASB				
IFRIC 22 Foreign Currency Transactions and Advance Consideration	None	IFRIC 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. Although IAS 21 *The Effects of Changes in Foreign Exchange Rates* sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency, IFRIC had observed diversity in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognised. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.	1 January 2018	When this Interpretation is first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.

(c) Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 31 December 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Statement of profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's Statement of profit or loss and other comprehensive income and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(d) Foreign currency translation

The consolidated financial statements are presented in Australian dollars ($) which is both the functional and presentation currency of the Parent. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of the overseas subsidiaries are Botswana Pula (BWP) and New Zealand Dollar (NZD) which are translated to the presentation currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulated amount is reclassified to Statement of profit or loss and other comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the items (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(ii) Group companies

On consolidation the assets and liabilities of foreign operations are translated into Australian Dollars (presentation currency) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(f) Trade and other receivables

Trade receivables, which are generally on a 30-day term, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Joint Operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Where the Group's activities are conducted through joint operations, the Group recognises its assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

(h) Exploration and evaluation expenditure

Exploration and evaluation expenditure include costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditure is capitalised on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

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

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit is not larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine properties under development. No amortisation is charged during the exploration and evaluation phase.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(i) Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. The Group has not designated any financial assets as held-to-maturity investments, or as derivatives designated as hedging instruments in an effective hedge. The Group's financial assets include trade and other receivables, other financial assets and available for sale financial assets.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes from fair value adjustments of financial assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the statement of profit or loss and other comprehensive income in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity.

Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Available for sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income – is removed from other comprehensive income and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through the statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, described as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria are satisfied.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

(j) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The depreciation rates used for the property and equipment were 20% – 40% for the current and previous years.

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of non-financial assets

At each reporting date, the Group 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 asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short term nature and 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.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessment of the time value of money and the risks specific to the liability.

(n) Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

(o) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of the financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental revenue

Rental revenue from sub-leases is recognised as income in the periods in which it is earned.

Dividend income

Revenue is recognised with the Group's right to receive the payment is established.

(p) Leases

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(q) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Current tax

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

Deferred tax

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

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

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

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

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

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

Tax consolidation

MOD Resources Limited and its wholly-owned Australian subsidiary have formed an income tax consolidated entity under the tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 January 2002. The tax consolidated group 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 to the Group's taxable income. 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 head entity.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Contributed equity

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

(s) Share-based payment transactions

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the options granted is recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(t) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends.
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(u) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes startup operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(w) Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Exploration and Evaluation Expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether the activities have not reached a state which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since exploration programs in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $15,735,511 (2015: $11,321,429) (Note 9).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of exploration and evaluation assets

The future recoverability of capitalised exploration and evaluation expenditure is dependent upon a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in an area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which the determination is made.

Share-based payments

The Group is required to use assumptions in respect of the fair value models used in determining share-based payments to employees in accordance with the requirements of AASB 2 Share-based payment. Further information regarding share-based payments and the assumptions used is set out in Note 16. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Recovery of Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences and tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next year.

(x) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Whilst the Group has achieved exploration success with its mineral projects, the Directors recognise that the Group will have to seek additional funding in order to continue to exploit and develop its projects.

During the year, the Group incurred a net loss of $1,920,772 (2015: $1,064,366). Net cash outflows from operations was $1,324,740 (2015: net cash outflows of $554,419).

The directors believe that the going concern basis of preparation continues to be appropriate for the following reasons:

- continued cash management according to exploration success;
- successful capital raising of $14.6m via a placement subsequent to year end (Note 27);
- future exploration and evaluation expenditure are generally discretionary in nature (ie at the discretion of the directors having regard to an assessment of the progress of works undertaken to date);
- subject to meeting certain expenditure commitments, further exploration activities may be slowed or suspended as part of the management of the Group's working capital;
- the historical ability of the Company to raise capital via equity placements and capital raisings given the prospectivity of the Group's current projects;
- the continued support of SHL Pty Ltd through renegotiation or extinguishment of the loan.

(y) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. REVENUES AND EXPENSES

	Note	2016 $	2015 $
Interest income			
- Bank		18,825	2,886
- Others		-	166
		18,825	3,052
Share-based payments			
- Issue options to key management personnel	16	(319,163)	-
- Issued shares to key management personnel		-	(45,000)
- Issued shares to corporate advisors		-	(20,000)
- Issued options to corporate advisors		-	(20,913)
- Issued options to lead manager		-	(15,217)
		(319,163)	(101,130)
Administrative expenses			
- Professional Fees		(199,852)	(166,881)
- Salaries and wages		(280,017)	(107,998)
- Conference expenses		(82,440)	(20,794)
- Financial services		(60,000)	(60,000)
- Rental expense on operating lease		(44,571)	(57,093)
- Directors fees		(87,861)	(33,738)
- Investor relations		(73,056)	-
- New projects/opportunities		(731)	(74,478)
- Travel and accommodation		(8,911)	(8,948)
- Insurance		(28,190)	(31,237)
- AGM/Annual Report expenses		(15,583)	(10,745)
- Depreciation expense		(11,324)	(14,312)
- Other administrative expenses		(203,094)	(125,165)
		(1,095,630)	(711,389)
Impairment loss on exploration and evaluation expenditure			
- Botswana Copper/Silver Project	9	(390,228)	(249,679)
- MOD/MTR JV licences	9	(5,504)	-
		(395,732)	(249,679)
(Loss)/gain on disposal of plant and equipment		(6,572)	14,873
Interest expense on shareholder loan		(122,500)	(140,000)

4. INCOME TAX

	2016 $	2015 $
Recognised in the statement of profit or loss and other comprehensive income		
Current tax (benefit)		
Current year	-	(86,251)
Total income tax (benefit)	-	(86,251)
Numerical reconciliation between tax (benefit) and pre-tax net loss		
Loss before tax	(1,920,772)	(1,150,617)
Income tax benefit using the domestic corporation tax rate of 28.5% (2015: 30%)	(547,420	(345,185)
Increase in income tax (benefit) due to:		
Research & development tax refund	-	(86,251)
Effect of overseas tax rate	36,222	26,313
Share-based payments	90,962	30,339
Non-deductible expenses	27,183	43,560
Non-assessable non-exempt income	-	(16,443)
Australian operations current year losses where deferred tax assets are not recognised	313,959	251,485
Foreign operations current year losses where deferred tax assets are not recognised		
Current year temporary differences for which no deferred tax asset was recognised	153,695	104,954
	(74,601)	(95,023)
Income tax (benefit) on pre-tax net profit at effective income tax rate of Nil% (2015: Nil%)	-	(86,251)
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences - Australia	215,879	230,556
Revenue tax losses – Australia	2,015,739	1,791,348
Capital tax losses – Australia	144,890	152,516
Deductible temporary differences - Foreign	6,556	6,556
Revenue tax losses – Foreign	4,007,443	3,873,523
Assessable temporary differences - Foreign	(2,451,638)	(1,825,851)
	3,938,869	4,228,648

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits there from. Revenue and capital tax losses are subject to relevant statutory tests.

	2016 $	2015 $
Income Tax Payable	-	-

Tax consolidation

MOD Resources Limited and its wholly owned subsidiaries formed a tax consolidated group which have elected to consolidate and be treated as a single entity for income tax purposes. The head entity of the tax consolidated group is MOD Resources Limited. Members of the tax consolidated group have not entered into a tax funding arrangement. Hence no compensation is receivable or payable for any deferred tax asset or current tax payable (receivable) assumed by the head company and the assumption of these amounts is instead treated as a contribution/distribution to equity.

5. CASH AND CASH EQUIVALENTS

	2016 $	2015 $
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank and on hand	1,196,079	452,553
Short term deposits	4,350,000	-
	5,546,079	452,553
(b) Reconciliation of the net loss after income tax to the net cash used in operating activities		
Loss from ordinary activities after income tax	(1,920,772)	(1,064,366)
Interest income received	(16,683)	(4,133)
Interest expense paid	253,750	13,333
Add non-cash items:		
Impairment loss on exploration and evaluation expenditure	395,732	249,679
Exploration and evaluation expenditure expensed	-	21,154
Share-based payments	319,163	101,130
Deemed gain on purchase of assets	-	(54,810)
Net loss/(gain) on disposal of plant and equipment	6,572	(14,873)
Depreciation expense	11,324	14,312
Changes in assets and liabilities:	(950,914)	(738,574)
Receivables	(15,384)	21,396
Other current assets	(9,042	(8,598)
Payables	(368,231)	241,630
Employee benefits provision	18,831	(70,273)
Net cash used in operating activities	(1,324,740)	(554,419)

(c) Non-cash financing and investing activities

Details of non-cash financing activities are disclosed in Note 14.

(d) Interest rate risk

Detail regarding interest rate risk exposure is disclosed in Note 24.

6. TRADE AND OTHER RECEIVABLES

	Note	2016 $	2015 $
Current			
Receivables from shareholders [(i)]	14(c)	-	350,000
Other debtors [(ii)]		245,259	55,320
		245,259	405,320

(i) On 23 December 2015, the Company issued 105,033,334 ordinary shares at $0.006 per share of which 46,700,000 shares were fully paid to raise $280,200 and the balance of 58,333,334 shares were escrowed until they were fully paid on 12 January 2016 ($350,000).

(ii) Other debtors include accrued interest income and GST/VAT receivables.

A provision for impairment loss is recognised when there is objective evidence than an individual receivable is impaired. No impairment loss on other debtors is in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 (2015: Nil).

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Interest rate risk

Detail regarding interest rate risk exposure is disclosed in Note 24.

7. INFORMATION RELATING TO MOD RESOURCES LIMITED ("THE PARENT ENTITY")

	2016 $	2015 $
Current assets	5,573,612	881,881
Non-current assets	14,449,523	11,302,161
Total assets	20,023,135	12,184,042
Current liabilities	1,904,792	2,458,957
Non-current liabilities	-	110,628
Total liabilities	1,904,792	2,569,585
Issued capital	72,736,019	62,780,151
Reserves - options	354,720	490,798
Accumulated losses	(54,972,396)	(53,656,492)
	18,118,343	9,614,457
Loss of the parent entity	(1,771,145)	(1,109,468)
Total comprehensive loss of the parent entity	(1,771,145)	(1,109,468)

Refer to Note 20(a) for operating lease commitments and Note 25 for contingent liabilities.

8. ACQUISITION OF METAL CAPITAL LIMITED

Description of the transaction

On 5 November 2015, MOD entered into a binding sale agreement (Agreement) with London AIM listed resource fund Metal Tiger Plc (MTR) to acquire all of the issued capital of unlisted company Discovery Mines (Proprietary) Ltd (which was in provisional liquidation) (DMI). This agreement resulted in MOD owning 70% and MTR owning 30% of DMI through Metal Capital Limited (MCL).

On 15 December 2015, MOD acquired 70% of MCL, an unlisted holding company incorporated in the United Kingdom which owns 100% of Tshukudu Metals Botswana (Pty) Ltd (Tshukudu), a company incorporated in Botswana. Tshukudu owns 100% of DMI, an unlisted company incorporated in Botswana, which held 14 prospecting licences in the central and western part of the Kalahari Copper Belt. The DMI licences are located adjacent to MOD's 100% owned Mahumo Copper/Silver Project and extend west to the Namibian border. MOD acquired DMI for nil consideration.

Under the shareholder agreement between MOD and MTR, MTR was issued 30% of the total equity in DMI via their 30% equity interest in MCL following its payment of the initial consideration to the provisional liquidator of US$100,000. The agreement included the potential for deferred consideration of US$400,000 to be paid by MOD on the following basis;

- As at 31 December 2016, the US$100,000 (AU$138,357) has been recognised as a payable subsequent to the declaration of a copper resource on DMI licences upon completion of a liquidity event (being a capital raising by MOD, MTR or an affiliate, or a disposal of 50% of DMI shares, or any part of the DMI licences).
- US$300,000 is payable subsequent to completion of a Bankable Feasibility Study on the Mahumo Project (100% owned by MOD) or on DMI licences, upon completion of a liquidity event (being a capital raising by MOD, MTR or an affiliate, or a disposal of 50% of DMI shares, or any part of the DMI licences). The fair value of contingent consideration could not be reliably estimated as the probability of achieving the milestones could not be determined. No value has been attributed to the contingent consideration. There is no change between acquisition date and balance date.

The agreement provided that MTR will receive a 2% net smelter royalty from any future production derived from the DMI licenses which will be capped at US$2 million. MOD manages DMI exploration and development activities. MOD and MTR fund the ongoing work program on DMI licenses on a pro rata basis from 15 December 2015.

This acquisition was not been accounted for as a business combination under AASB 3 "Business Combination" as it was determined that DMI, Tshukudu and MCL were not considered to be businesses. Accordingly, the DMI acquisition (and the associated acquisition of Tshukudu and MCL) has been accounted for as an acquisition of assets, at cost based on the fair value of MTR's payment of the initial consideration of US$100,000 ($138,706). The purchase price was been allocated to the identifiable assets and liabilities of the consolidated group of MCL as of the date of acquisition as follows:

	2015 $
Exploration and evaluation expenditure	-
Plant and equipment [(i)]	78,300
Total value of assets acquired	78,300
Deduct liabilities assumed	-
Net assets acquired	78,300
Group share in net assets	54,810
Group consideration	-
Gain on acquisition of assets	54,810

(i) Plant and equipment has been classified as non-current assets held-for-sale at 31 December 2015. At 31 December 2016, the remaining plant and equipment of $37,853 which has not been disposed is accounted as part of non-current assets.

9. EXPLORATION AND EVALUATION EXPENDITURE

	2016 $	2015 $
Exploration and evaluation expenditure	15,735,511	11,321,429
(a) Movements in exploration and evaluation expenditure		
At 1 January	11,321,429	10,923,949
Acquisition of MOD/MTR JV licenses [i]	138,357	-
Expenditure during the period	4,199,070	925,017
Impairment loss of exploration and evaluation expenditure	(395,732)	(249,679)
Foreign exchange difference	472,387	(277,858)
At 31 December	15,735,511	11,321,429

[i] On 15 December 2015, the acquisition of DMI completed with MOD owning 70% and MTR owning 30% (Note 8). MOD has an obligation to pay $138,357 (US$100,000) after its capital raising announced on 19 December 2016.

(b) Exploration and evaluation expenditure Projects

	2016 $	2015 $
Botswana Copper/Silver Project	8,167,711	8,249,151
Sams Creek Gold Project	3,257,095	3,072,278
MOD/MTR JV licences (MOD 70%)	4,310,705	-
Total exploration and expenditure	15,735,511	11,321,429

At 31 December 2016, the future recoverability of capitalised exploration and evaluation expenditure of the Botswana Copper/Silver Project and MOD/MTR JV licenses were assessed and an impairment loss of $395,732 (2015: $249,679) relating to the relinquished tenements was recognised.

The recoverability of the carrying amount of exploration assets is dependent on the success of mineral exploration.

10. PLANT AND EQUIPMENT

	2016 $	2015 $
Plant and equipment – at cost	255,738	166,005
Accumulated depreciation	(184,340)	(147,637)
	71,398	18,368

Movements in Carrying Amounts

Movements in the carrying amounts for plant and equipment between the beginning and the end of the current financial year.

	2016 $	2015 $
Balance at beginning of year	18,368	66,235
Acquisition of plant and equipment	32,396	5,096
Transfer from assets held for sale	78,300	-
Disposal of plant and equipment	(32,875)	(14,802)
Depreciation expense	(11,324)	(14,312)
Depreciation expense transferred to exploration and evaluation expenditure	(16,505)	(24,711)
Foreign exchange difference	3,038	862
Carrying amount at end of year	71,398	18,368

11. TRADE AND OTHER PAYABLES

	Note	2016 $	2015 $
Current			
Trade Creditors		311,164	181,539
Other payables - related parties [i]	21	1,189,171	255,668
Payable on MOD/MTR JV licences	9	138,357	-
Payable to a related party [ii]		-	39,000
Other creditors and accruals		70,980	61,729
		1,709,672	537,936
Non-Current			
Other payables – related parties [iii]	21	-	110,628
		-	110,628

Trade, Related Parties and Other Creditors and Accruals are non-interest bearing. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

[i] The amount consists of;
$1,106,500 payable by Metal Capital Limited to MTR representing advances made throughout the period (2015: Nil) and $82,671 owing to Directors and Director related entities (2015: $255,668).

[ii] On 17 October 2015, the Company announced that it had received an application for 6,500,000 fully paid ordinary shares totalling $39,000 from a related party on the same terms as the Rights Issue which will be issued along with 3,250,000 options subject to shareholder approval. At 31 December 2015, this is accounted for as payable to a related party.

[iii] During 2015, the Directors and their related entities agreed to defer payment of amounts owed as at 31 December 2015 ($110,628) until 31 March 2016 or earlier if the Group has the capacity to meet part or all of these payments as determined by the Board.

12. INTEREST-BEARING LIABILITIES

	2016 $	2015 $
Loan	1,500,000	2,000,000

On 8 July 2013, MOD secured a $2 million loan from SHL Pty Ltd, a Company controlled by a related party of MOD director Simon Lee, AO. The $2 million loan was unsecured for an initial 12-month period at an interest rate of 8% per annum, payable monthly in arrears.

A Deed of Extension and Variation was signed on 5 May 2014 so as to extend the Initial Facility Period to end on 4 January 2015. MOD exercised its option to extend the term of the loan for a further 12-month period at a reduced interest rate of 7% per annum with the loan secured against the unencumbered assets of MOD subject to shareholder approval.

On 19 October 2015, MOD entered into a Deed of Amendment with SHL Pty Ltd to extend the repayment date for its existing $2 million loan to 4 April 2016. The parties agreed that MOD did not have the capacity to repay the loan on this date and so agreed that the repayment date for the loan will be extended a further three months to 4 July 2016.

On 25 May 2016, the Company entered into a Deed of Extension and Variation with SHL Pty Ltd which stipulated that the Company was to repay a minimum of $0.5 million and outstanding interest payments owing to SHL by 4 July 2016. This condition was met by the Company and both parties agreed to review the financial capacity of the Company to repay the balance of the SHL Loan on a rolling 3-month basis.

Subsequent to year end, the Company repaid $0.25 million plus outstanding interest.

During the year, interest of $253,750 was paid to this entity (2015: $13,333) and $8,750 was payable as at 31 December 2016 (31 December 2015: $140,000). Subsequent to 31 December 2016, the Company repaid a further $0.25 million to SHL.

13. EMPLOYEE BENEFITS PROVISION

	2016 $	2015 $
Provision for employee entitlements	30,492	11,661

14. ISSUED CAPITAL AND OTHER CAPITAL

	Note	2016 $	2015 $
Issued capital			
Issued and fully paid ordinary shares		72,736,019	62,430,151
Issued and unpaid ordinary shares [i]	6	-	350,000
		72,736,019	62,780,151

[i] On 23 December 2015, the Company issued 105,033,334 ordinary shares at $0.006 per share of which 46,700,000 shares were fully paid to raise $280,200 and the balance of 58,333,334 shares were escrowed until they were fully paid on 12 January 2016.

	Number of Shares	
	2016	2015
(a) Fully paid ordinary shares		
Issued and fully paid ordinary shares	1,589,134,144	1,126,269,994
	1,589,134,144	1,126,269,994
(b) Unpaid ordinary shares		
Issued and unpaid ordinary shares	-	58,333,334
	-	58,333,334

14. ISSUED CAPITAL AND OTHER CAPITAL (CONTINUED)

	31 December 2016		31 December 2015	
	Number of Shares	$	Number of Shares	$
(c) Movement in Ordinary Shares on Issue				
Beginning of the period	1,184,603,328	62,780,151	815,430,521	61,057,110
Issued and fully paid during the year				
- shares issued pursuant to placement [(i)]	66,666,667	2,000,000	-	-
- shares issued to corporate advisor [(ii)]	6,500,000	78,500	-	-
- shares issued following options exercised [(iii)]	18,685,394	186,853	-	-
- shares issued pursuant to non-renounceable rights issue [(iv)]	6,500,000	39,000	-	-
- shares issued pursuant to rights issue [(v)]	127,927,043	3,070,249	-	-
- shares issued pursuant to placement [(vi)]	178,251,712	5,169,300	-	-
- shares issued pursuant to placement	-	-	17,401,462	139,212
- shares issued pursuant to SPP	-	-	146,591,761	600,000
- shares issued pursuant to placement	-	-	9,000,000	45,000
- shares issued pursuant to placement	-	-	40,312,728	165,000
- shares issued to corporate advisor	-	-	2,000,000	10,000
- shares issued pursuant to rights issue	-	-	40,166,855	241,001
- shares issued to lead manager	-	-	6,666,667	40,000
- shares issued to corporate advisor	-	-	2,000,000	10,000
- shares issued pursuant to placement	-	-	46,700,000	280,200
- capital raising costs	-	(588,034)	-	(157,372)
	1,589,134,144	72,736,019	1,126,269,994	62,430,151
Issued and unpaid during the year				
- shares issued pursuant to placement	-	-	58,333,334	350,000
End of the period	1,589,134,144	72,736,019	1,184,603,328	62,780,151

(i) On 29 April 2016, the Company allotted 66,666,667 fully paid ordinary shares (placement shares) at $0.03 per share pursuant to the Placement announced on 20 April 2016.

(ii) The Company further issued 6,500,000 fully paid ordinary shares which had been allotted to PCF Capital Group Pty Limited, of which 1,500,000 fully paid ordinary shares was issued in lieu of cash for services rendered as corporate financial advisor to the Company on 22 April 2016 and 5,000,000 fully paid ordinary shares was issued following exercise of $0.01 unlisted options expiring 21 May 2018.

(iii) The Company issued 18,685,394 fully paid ordinary shares following the exercise of listed $0.01 options (MODO) expiring 1 May 2018 and between 20-30 June 2016.

(iv) On 25 May 2016, the Company issued 6,500,000 fully paid ordinary shares at $0.006 and 3,250,000 listed $0.01 options expiring 21 May 2018 to a related party following approval by shareholders at the Annual General Meeting on 25 May 2016.

(v) On 20 July 2016, the Company issued 127,927,043 fully paid ordinary shares at $0.024 per share, along with 31,981,897 unlisted $0.06 options expiring 15 April 2019, pursuant to the Company's Entitlement Offer announced on 18 July 2016.

(vi) On 23 December 2016, the Company issued 178,251,712 fully paid ordinary shares at $0.029 per share to professional and sophisticated investors pursuant to the placement as announced on 19 December 2016.

(d) Capital management

The Group's objective in managing capital is to continue to provide shareholders with attractive investment returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital consists of equity attributable to equity holders of the Parent plus net debt. At 31 December 2016, net debt is Nil (2015: $2,196,011). Gearing ratio is Nil (2015: 23%).

There are no externally imposed capital requirements.

15. RESERVES

	2016 $	2015 $
Foreign currency translation reserves	1,610,205	1,241,421
At the beginning of the financial year	1,241,421	1,519,463
Foreign currency translation during the year	368,784	(278,042)
At the end of financial year	1,610,205	1,241,421

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

16. SHARE OPTION RESERVES

	2016 $	2015 $
Option reserves – share based payments	354,720	490,798

Share-based payment transactions

The share-based payment transaction reserve is used to recognise the value of equity-settled share-based payment transactions provided to consultants and employees, including key management personnel, as part of their remuneration.

(a) Share-based payments

The number of unlisted options outstanding over unissued ordinary shares at reporting date is as follows:

16. SHARE OPTION RESERVES (CONTINUED)

	2016 $	2015 $
Balance at beginning of year	490,798	1,130,563
Key Management Personnel Options		
25 May 2016: 18,000,000 unlisted options exercisable at $0.06 expiring on 15 April 2019	319,163	-
Lead Manager Options		
28 October 2015: 3,333,333 listed free options exercisable at $0.01 expiring on 1 May 2018	-	15,217
Corporate Advisor Options		
21 May 2015: 5,000,000 unlisted options exercisable at $0.01 expiring on 21 May 2018	-	20,913
Options issued during the year	319,163	36,130
Key Management Personnel Options		
12 June 2016: expiry of 21,000,000 unlisted options exercisable at $0.20	(434,328)	-
1 March 2015: expiry of 800,000 unlisted options exercisable at $0.30	-	(124,764)
9 February 2015: expiry of 250,000 unlisted options exercisable at $0.25	-	(38,423)
9 February 2015: expiry of 1,000,000 unlisted options exercisable at $0.25	-	(153,690)
Corporate Advisor Options		
21 May 2015: exercised 5,000,000 unlisted options exercisable at $0.01 expiring on 21 May 2018	(20,913)	-
Directors' Options		
30 April 2015: expiry of 5,000,000 unlisted options exercisable at $0.25	-	(359,018)
Options lapsed and exercised during the year	(455,241)	(675,895)
Balance at end of year	354,720	490,798

Summaries of options granted as share based payments of directors and employees:

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
Outstanding at 1 January	23,000,000	0.2	30,050,000	0.2
Granted during the year	21,250,000	0.04	-	-
Exercised during the year	-	-	-	-
Expired during the year	(21,000,000)	(0.2)	(7,050,000)	(0.2)
Outstanding at 31 December	23,250,000	0.05	23,000,000	0.2

Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 31 December 2016 is 1 year and 7 months (2015: 9 months).

Range of exercise price

The range of exercise prices for share-based payment options outstanding at the end of the year was $0.01 - $0.075 (2015: $0.075 - $0.20).

Weighted average fair value

The weighted average fair value of options granted during the year was $0.02 (2015: $0.02).

Fair value basis

The fair value of these options are recognised, from their date of grant, over their vesting period; fair value are determined as at date of grant using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the underlying share price as at date of grant, the expected price volatility of the underlying shares and the risk-free interest rate for the term of the option. The Company is required to expense the options on the basis that the fair value cost at date of grant is apportioned over the vesting period applicable to each option.

Date of issue	Description of Unlisted Options	Vesting criteria	Spot rate	Risk free rate	Price volatility
2016					
25 May 2016	Key Management Personnel Options				
	Unlisted options exercisable at $0.06; expiring on 15 April 2019	Vested at the date of the issue of the options	2 cents	1.62%	214%
25 May 2016	Key Management Personnel Options				
	Unlisted options exercisable at $0.01; expiring on 1 May 2018	Vested at the date of the issue of the options	2 cents	1.65%	214%
2014					
20 June 2014	Key Management Personnel Options				
	Unlisted options exercisable at $0.075; expiring on 20 June 2017	Vested at the date of the issue of the options	1.3 cents	2.76%	188%

The model inputs for assessing the fair value of options granted during the period are as follows:

a) Options are granted for no consideration and vest as described in the table above;
b) Exercise price is as described in the table above;
c) Grant date is as described in the table above;
d) Expiry date is as described in the table above;
e) Share price is based on the last bid price on ASX as at date of grant, as described in the table above;
f) Expected price volatility of the Company shares is based on independent assessments;
g) Expected dividend yield is nil;
h) Risk-free interest rate is based on the 3-year Commonwealth bond yield, as described in the table above.

17. ACCUMULATED LOSSES

	Note	2016 $	2015 $
Accumulated losses at the beginning of the financial year		(54,879,835)	(54,491,364)
Net loss attributable to members of MOD Resources Limited		(1,890,309)	(1,064,366)
Options lapsed and exercised	16	455,241	675,895
Accumulated losses at end of financial year		(56,314,903)	(54,879,835)

18. EARNINGS PER SHARE

	2016 $	2015 $
Net loss attributable to ordinary equity holders of the Parent for basic and diluted loss per share	(1,890,309)	(1,064,366)

	Number of Shares	Number of Shares
Weighted average number of shares used in calculation of:		
Loss per share (cents per share) for continuing operations attributable to the ordinary equity holders of the Company:		
- Basic and diluted loss per share	1,312,939,842	981,151,774
Loss per share for loss (cents per share) attributable to the ordinary equity holders of the Company:		
- Basic and diluted loss per share	1,312,939,842	981,151,774

As the options outstanding at 31 December 2016 would have reduced the loss per share from continuing operations on conversion, the potential ordinary shares were not considered dilutive. Options granted to some directors as described in Note 16 are considered to be potential ordinary shares. As the loss per share would have reduced by the options outstanding, the directors' options have not been included in the determination of diluted earnings per share as these are not considered dilutive.

19. AUDITORS' REMUNERATION

	2016 $	2015 $
Amounts paid or payable to Grant Thornton Audit Pty Ltd for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	69,010	47,723
Amounts paid or payable to a related practice of Grant Thornton Audit Pty Ltd for:		
- other services provided by Grant Thornton Australia Limited	4,600	22,400
	73,610	70,123
Amounts paid or payable to other Grant Thornton firms:		
- an audit or review of the financial report of the subsidiaries	13,174	7,458

20. EXPENDITURE COMMITMENTS

	2016 $	2015 $
(a) Lease commitments		
Operating Lease Commitments - contracted but not provided for and payable:		
Office accommodation		
- not later than one year	5,273	50,004
- later than one year and not later than five years	-	-
	5,273	50,004

(b) Capital expenditure commitments

Botswana Copper/Silver Project

As at 31 December 2016, the minimum exploration expenditure commitments over the licence term on the MOD Licences, MOD JV Licences (MOD 80%) and MOD/MTR JV Licences (MOD 70%; MTR 30%) total BWP54,158,145 ($7.118 million). The Botswana government will retain a levy of 3% NSR (royalty on net smelter return) on base metals and a 5% NSR on precious metals. Furthermore, they also have the right to acquire a 15% working interest upon issuance of a mining licence.

Under certain circumstances these commitments are subject to adjustment and/or timing. They are however expected to be fulfilled in the normal course of operations. The amount disclosed above is estimated only.

Sams Creek Gold Project

The Group has no capital expenditure commitments on the licences for Sams Creek Gold Project as at 31 December 2016.

(c) Finance, lease and hire purchase commitments

There was no finance, lease and hire purchase commitments as at 31 December 2016 (2015: Nil).

21. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel for the year ended 31 December 2016

Directors
Mr Mark Clements (Executive Chairman and Company Secretary)
Mr Julian Hanna (Managing Director)
Mr Simon Lee AO (Non-Executive Director)
Mr Steven McGhee (Non-Executive Director)

Executives
Mr Jacques Janse Van Rensburg (Business Development Manager)
Mr Paul Angus (Project Manager Exploration (New Zealand))

(b) Remuneration of Key Management Personnel

Details of the key management personnel are as follows:

	2016 $	2015 $
Short term employee benefits	565,070	453,774
Post-employment benefits	22,610	18,441
Share-based payments	319,163	45,000
	906,843	517,215

21. KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Other Transaction and Balances with Key Management Personnel

Transactions with Directors

On 8 July 2013, MOD secured a $2 million loan from SHL Pty Ltd, a company controlled by a related party of MOD director Mr Lee, AO. The $2 million loan was unsecured for an initial 12-month period at an interest rate of 8% per annum, payable monthly in arrears. MOD was not required to pay an establishment fee for the loan and has the right to repay the loan early without incurring any penalty.

A Deed of Extension and Variation was signed on 5 May 2014 so as to extend the Initial Facility Period to end on 4 January 2015. MOD exercised its option to extend the term of the loan for a further 12-month period at a reduced interest rate of 7% per annum with the loan secured against the unencumbered assets of MOD subject to shareholder approval.

On 19 October 2015, MOD entered into a Deed of Amendment with SHL Pty Ltd to extend the repayment date for its existing $2 million loan to 4 April 2016. If MOD does not have the capacity to repay the loan on this date, the parties have agreed that the repayment date for the loan will be extended a further three months to 4 July 2016.

On 25 May 2016, MOD entered into a Deed of Extension and Variation with SHL Pty Ltd which stipulated that the Company was to repay a minimum of $0.5 million and outstanding interest payments owing to SHL by 4 July 2016. This condition was met by MOD and both parties agreed to review the financial capacity of the Company to repay the balance of the SHL Loan on a rolling 3-month basis.

Subsequent to year end, MOD repaid $0.25 million plus outstanding interest.

During the year, interest of $253,750 was paid to this entity (2015: 13,333) and $8,750 was payable as at 31 December 2016 (31 December 2015: $140,000).

Director and company secretarial services of $108,000 were provided by a company associated with Mr Clements (2015: $108,000), in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2016, $13,173 was payable (31 December 2015: $77,612).

Consulting services for metallurgical test work and scoping study of $197,260 (2015: $66,155) were provided by IMO Project Services Pty Ltd, a company associated with Mr McGhee in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2016, $16,170 was payable (31 December 2015: Nil).

As at 31 December 2016, the amount payable for director fees is $29,200; consisting of $18,250 to Mr Hanna (2015: $85,219), $5,475 to Mr Lee (2015: $46,425) and $5,475 to Mr McGhee (2015: $15,329).

Transactions with Executives

Consulting services of $166,251 (2015: $108,000) were provided by an associated company of Mr Jacques Janse van Rensburg. The consulting services were provided in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2016, $15,378 was payable (31 December 2015: $Nil).

Consulting services of $34,819 (2015: $7,655) were provided by an associated company of Mr Angus. The consulting services were provided in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2016, Nil was payable (2015: Nil).

22. SEGMENT INFORMATION

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Board of Directors review the results on a consolidated basis during their meetings.

The Group has three reportable segments based on the projects held in Botswana and New Zealand which the Directors monitor the performance in those regions separately.

Africa-MOD/MTR Joint Venture Project

Comprises operations carried on in the centre of the Kalahari Copper Belt, North-West Botswana subject to a 70/30 joint venture with Metal Tiger Plc.

Africa-Botswana Copper/Silver Project

Comprises operations carried on in the centre of the Kalahari Copper Belt, North-West Botswana.

New Zealand-Sams Creek Gold Project

Comprises operations carried on near the South Island town of Nelson.

(a) Accounting policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, capitalised exploration and evaluation expenditure, plant and equipment, net of allowances and accumulated depreciation. Most assets can be directly attributed to individual segments. Segment liabilities consist principally of payables, and accrued expenses. Segment assets and liabilities do not include deferred income taxes. Unless stated otherwise, all amounts reported to the Board of Directors in relation to operating segments are determined in accordance with the accounting policies consistent with those adopted in the annual financial statements of the Group.

(b) Intersegment transfers

Segment revenues, expenses and results include transfers between segments. There are no prices charged on intersegment transactions.

(i) Segment performance

	MOD/MTR JV Project $	Botswana Copper/Silver Project $	Sams Creek Gold Project $	Total $
For the year ended 31 December 2016				
Interest revenue	17	5	-	22
Total group revenue				22
Segment loss				
Reconciliation of segment result to group net loss before tax	(101,543)	(423,323)	(14,988)	(539,854)
Other items				
- Other expenses not allocated				(1,399,721)
- Other income not allocated				18,803
Net loss after tax				(1,920,772)

Segment revenues, expenses and results include transfers between segments. There are no prices charged on intersegment transactions.

22. SEGMENT INFORMATION (CONTINUED)

(b) Intersegment transfers (continued)

(ii) Segment performance

	MOD/MTR JV Project $	Botswana Copper/Silver Project $	Sams Creek Gold Project $	Total $
For the year ended 31 December 2015				
Gain on disposal of plant and equipment	-	14,873	-	14,873
Interest revenue	-	12	-	12
Total group revenue	-	14,885	-	14,885
Segment loss				
Reconciliation of segment result to group net loss before tax	-	(266,679)	(29,676)	(296,355)
Other items				
- Other expenses not allocated	-	-	-	(857,302)
- Other income not allocated	-	-	-	3,040
- Income tax benefit	-	-	-	86,251
Net loss after tax				(1,064,366)

(iii) Other assets and liabilities

	MOD/MTR JV Project $	Botswana Copper/Silver Project $	Sams Creek Gold Project $	Total $	Reconciling Items $	Group Assets and Liabilities $
31 December 2016						
Segment assets	4,573,083	8,231,013	3,260,847	16,064,943	5,582,637	21,647,580
Segment liabilities	1,190,631	113,163	31,716	1,335,510	1,904,654	3,240,164
31 December 2015						
Segment assets	78,300	8,280,007	3,073,943	11,432,250	884,000	12,316,250
Segment liabilities	-	80,409	10,331	90,740	2,569,485	2,660,225

(iv) Non-current assets by segment

	MOD/MTR JV Project $	Botswana Copper/Silver Project $	Sams Creek Gold Project $	Total $	Reconciling Items $	Group Non-current Assets $
31 December 2016						
Exploration and evaluation expenditure	4,310,705	8,167,711	3,257,095	15,735,511	-	15,735,511
Plant and equipment	58,053	4,321	-	62,374	9,024	71,398
31 December 2015						
Exploration and evaluation expenditure	-	8,249,151	3,072,278	11,321,429	-	11,321,429
Plant and equipment	-	16,249	-	16,249	2,119	18,368

23. RELATED PARTY DISCLOSURE

(a) Controlled entities investments

	2016 %	2015 %
Parent Entity:		
MOD Resources Limited	-	-
Controlled Entities:		
MOD Resources (NZ) Pty Ltd	100	100
Sams Creek Gold Limited	100	100
MOD Resources (Botswana) Pty Ltd	100	100
MOD Resources Botswana (Pty) Ltd	100	100
MCA Investments Pty Ltd	100	100
MCA Medical Products Pty Ltd	100	100
Metal Capital Limited	70	70
Tshukudu Metals Botswana (Pty) Ltd	70	70
Discovery Mines (Pty) Ltd	70	70

MOD Resources (NZ) Pty Ltd is a wholly owned subsidiary of the Company located in Australia which owns 100% of Sams Creek Gold Limited.

Sams Creek Gold Limited is a wholly owned subsidiary of MOD Resources (NZ) Pty Ltd located in New Zealand. Its primary activity is in the gold exploration and mining sector. Sams Creek Gold Limited entered into joint operation activities which it is entitled to a participating interest in the tenements, consents and access arrangement on the fulfilment of certain conditions. It has an 80% interest in the Sams Creek Project (Minerals Exploration Permit 40338).

MOD Resources (Botswana) Pty Ltd is a wholly owned subsidiary of the Company located in Australia which owns 100% of MOD Resources Botswana (Pty) Ltd located in Botswana. The investment in MOD Resources (Botswana) Pty Ltd of $19,986,989 is fully impaired. MOD Resources Botswana (Pty) Ltd holds exploration licences in Botswana's Kalahari Copper Belt.

MOD Resources Limited has a 70% interest in Metal Capital Limited, located in the United Kingdom which owns 100% of Tshukudu Metals Botswana (Pty) Ltd, which owns 100% of Discovery Mines (Pty) Ltd. Tshukudu Metals Botswana (Pty) Ltd holds exploration licences in Botswana's Kalahari Copper Belt.

Metal Tiger Plc has a 30% non-controlling interest in Metal Capital Limited (refer Note 8).

MCA Investments Pty Ltd and MCA Medical Products Pty Ltd are wholly owned subsidiaries of the Company located in Australia which are dormant entities and are not considered to be material to the results of the Group. The investment in MCA Investments Pty Ltd of $7,910,048 is fully impaired.

(b) Key management personnel

Details of key management personnel are set out in Note 21.

24. FINANCIAL RISK MANAGEMENT AND POLICIES

The Group's principal financial instruments comprise receivables, payables and cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Primary responsibility for identification and control of financial risks rests with the Board of Directors. The Board reviews and agrees policies for managing each of the risks identified below.

Risk Exposures and Responses

Interest rate risk

The Group does not bear interest rate risks that relates to the Group's cash and short term deposits. Short-term deposits form part of cash and cash equivalents which bear fixed interest rates on maturity (2015: Nil).

	2016 $	2015 $
Cash at bank and on hand	1,196,079	452,553
Short term deposits	4,350,000	-
	5,546,079	452,553

The Group does not bear interest rate risk on its shareholder loan as it bears a fixed interest rate of 7%.

Foreign currency risk

The consolidated financial statements are presented in Australian dollars ($) which is both the functional and presentation currency of the parent company. The functional currencies of the overseas subsidiaries are Botswana Pula (BWP) and New Zealand Dollar (NZD) which are translated to the presentation currency.

The Company's subsidiaries are domiciled in Botswana and New Zealand. The Company's operations exposure to exchange rate fluctuations is the remittance of cash from Australia to either Botswana or New Zealand to fund the subsidiary's exploration expenditure and working capital requirements.

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
AUD 1 = BWP	7.9699	7.4829	7.6084	8.0449
AUD 1 = NZD	1.0657	1.0736	1.0385	1.0634

The Group has not entered into hedging transactions.

Sensitivity analysis

The following table illustrates sensitivities to the consolidated Group's exposures to changes in exchange rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in foreign currency risk that management considers to be reasonably possible. The impact of the change in exchange rates between AUD and BWP to the comprehensive income and equity would have changed as follows:

	2016 $	2015 $
+5% (2015: +1%)	(196,103)	(47,926)
-1% (2015: -4%)	1,687	176,017

Risk Exposures and Responses (continued)

The impact of the change in exchange rates between AUD and NZD to the comprehensive income and equity would have changed as follows:

	2016 $	2015 $
+3% (2015: +3%)	(101,843)	(82,976)
-1% (2015: -1%)	7,012	12,136

Credit risk

Credit risk arises from the financial assets of the group which comprise cash and cash equivalents and trade and other receivables. The credit risk on cash and cash equivalents are minimised through investing funds in financial institutions that maintain high credit ratings. Furthermore, receivable balances are monitored by the group on an ongoing basis, thus, the Group is not significantly exposed to credit risk.

Equity price risk

Equity price risk arises where the value of financial instruments fluctuates because of change in prices. The Group is exposed to equity price risk in respect of its listed equity securities in Australia.

Liquidity risk

The table below reflects all contractually fixed pay-offs for repayments from recognised financial liabilities.

The remaining contractual maturities of the Group's financial liabilities are:

	2016 $	2015 $
6 months or less	3,209,672	2,537,936
6 – 12 months	-	-
1 – 5 years	-	110,628
Over 5 years	-	-
	3,209,672	2,648,564

Maturity analysis of financial assets and liability based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations. These assets are considered in the Group's overall liquidity risk.

Year ended 31 December 2016	≤ 6 months $	6 - 12 months $	1 - 5 years $	> 5 years $	Total $
Consolidated Financial Assets					
Cash and cash equivalents	5,546,079	-	-	-	5,546,079
Trade and other receivables	245,259	-	-	-	245,259
	5,791,338	-	-	-	5,791,338
Consolidated Financial liabilities					
Trade and other payables	1,709,672	-		-	1,709,672
Interest-bearing liabilities [i]	1,500,000	-		-	1,500,000
	3,209,672	-		-	3,209,672
Net maturity	2,581,666	-		-	2,581,666

[i] Refer Note 2(x).

The Group monitors liquidity reserves periodically on the basis of expected cash flows.

24. FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

Fair Value Measurement

Fair value measurement of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

		2016		2015	
	Note	Net Carrying Value $	Fair Value $	Net Carrying Value $	Fair Value $
Financial Assets					
Cash and cash equivalents	(i)	5,546,079	5,546,079	452,553	452,553
Trade and other receivables	(i)	245,259	245,259	405,320	405,320
Total financial assets		5,791,338	5,791,338	857,873	857,873
Financial liabilities					
Trade and other payables	(i)	1,709,672	1,709,672	508,564	508,564
Interest-bearing liabilities	(ii)	1,500,000	1,508,750	2,140,000	2,175,000
Total financial liabilities		3,209,672	3,218,422	2,648,564	2,683,564

The three levels of a fair value hierarchy on financial assets and liabilities are defined based on the observability of significant inputs to the measurement as follows:

Level 1: quoted prices in active markets for assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability

The three levels of a fair value hierarchy for the Group's financial assets and liabilities have been identified for the Group's financial assets and liabilities in the above table which have been determined based on the following methodologies:

(i) Level 2: Cash and cash equivalents, trade and other receivable and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave and long service leave, which is not considered a financial instrument.

(ii) Level 2: Interest-bearing liabilities include interest of $8,750 (2015: $35,000). This interest has not been recognised as this is due subsequent to 31 December 2016 until the due date of the loan (Note 12).

There are no unobservable inputs for the Group's financial assets and liabilities.

25. CONTINGENT LIABILITIES

Under the shareholder agreement between MOD and MTR relating to the acquisition of DMI, MOD is obligated to pay the contingent consideration balance for the acquisition of DMI of US$300,000 based on the completion of a Bankable Feasibility Study on Mahumo or on DMI licences, upon completion of a liquidity event (being a capital raising by MOD, MTR or an affiliate, or a disposal of 50% of DMI shares, or any part of the DMI licences).

No value has been attributed to the contingent consideration at 31 December 2016 (2015: Nil). The fair value of contingent consideration could not be reliably estimated as the probability of achieving the milestones could not be determined.

MTR will receive a 2% net smelter royalty from any future production derived from the DMI licence which will be capped at US$2 million.

Tshukudu Metals Botswana Pty Ltd ("Tshukudu") and Senyetse Resources Pty Ltd ("Senyetse") entered into a Ghanzi West Option Agreement on 10 January 2017 where Senyetse has various rights, interests and obligations to two prospecting licenses ("Ghanzi West Licenses") and had agreed to grant Tshukudu an option to acquire 100% interests in these licenses subject to the terms and conditions of the agreement. On 11 January 2017, Tshukudu paid to Senyetse A$10,630 (inclusive of VAT) as an Option fee. In turn, Senyetse granted Tshukudu an option to acquire the Ghanzi West Licenses. The option will be for 12 months (Option period) until 15·January 2018. If Tshukudu exercise the Option, Senyetse must cede, assign and procure the transfer of the Ghanzi West Licenses to Tshukudu or its third party.

Tshukudu must procure payment to Senyetse of both of the following:

a) The equivalent of $100,000 (inclusive of VAT), and
b) The equivalent of $200,000 based on a 30 day VWAP at that time in shares in the issued capital of shareholders of Tshukudu:
   (i) In the ratio of their shareholdings in Tshukudu;
   (ii) In the event that the Ghanzi West Licenses have been transferred to Tshukudu third party then shares in the Tshukudu third party; or
   (iii) In the event that the shareholder of Tshukudu is an individual, then the equivalent monetary value in the ratio of their shareholdings in Tshukudu.

26. NON-CONTROLLING INTEREST

	2016 $	2015 $
Share capital	138,763	138,763
Reserves	28,348	-
Accumulated losses	(145,736)	(115,273)
	21,375	23,490

On 15 December 2015, MOD acquired 70% of MCL, an unlisted holding company incorporated in the United Kingdom which owns 100% of Tshukudu Metals Botswana (Pty) Ltd (Tshukudu), a company incorporated in Botswana. Tshukudu owns 100% of DMI, an unlisted company incorporated in Botswana, which held 14 prospecting licences in the central and western part of the Kalahari Copper Belt. The DMI licences are located adjacent to MOD's 100% owned Mahumo Copper/Silver Project and extend west to the Namibian border. MOD acquired DMI for nil consideration.

Under the shareholder agreement between MOD and MTR, MTR was issued 30% of the total equity in DMI via their 30% equity interest in MCL following its payment of the initial consideration to the provisional liquidator of US$100,000 (AU$138,763).

27. SUBSEQUENT EVENTS

On 15 February 2017, the Company announced the issue of 29,167,234 fully paid ordinary shares following the exercise of listed $0.01 options (MODO) expiring 1 May 2018.

On 21 February 2017, the Company announced the issue of 47,000,000 Performance Rights issued pursuant to the Company's Performance Rights Plan, approved by shareholders at the general meeting held 20 February 2017, which vest and become exercisable in two equal tranches, expiring 21 February 2022.

On 6 March 2017, the Company announced assay results had confirmed the discovery of significant widths and grades of copper and silver mineralisation below the current T3 resource, in particular, on intersection of 72.6m @ 1.5% Cu and 27g/t Ag in MO-G-65D from 250m down hole depth including a high grade intersection of 18m @ 2.7% Cu and 52g/t Ag from 280m which extends the potential >100m below current T3 resource and still open at depth (Figure 3).

On 8 March 2017, the Company announced 63,000,000 unlisted $0.06 options exercisable on or before 4 March 2017 expired without exercise.

On 17 March 2017, the Company announced it had welcomed a number of institutional investors onto its share register as a result of a A$14.6 million oversubscribed share placement (the Placement). Funds raised from the Placement will primarily be used towards a substantial CY17 exploration program, which aims to extend the T3 open pit to the east and west and at depth, the T3 dome, and to test other targets in the T3 area and regionally.

On 23 March 2017, the Company announced the issue of 594,739 fully paid ordinary shares following the exercise of listed $0.01 options (MODO) expiring 1 May 2018 and unlisted $0.06 options expiring 15 April 2019.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the controlled entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of MOD Resources Limited, I state that:

1. In the opinion of the Directors:
   (a) The financial statements and notes of MOD Resources Limited for the financial year ended 31 December 2016 are in accordance with the Corporations Act 2001, including:
      (i) Giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the year ended on that date; and
      (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).
   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors by the Managing Director and Company Secretary in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 31 December 2016.

On behalf of the Board

MARK CLEMENTS
Executive Chairman
31 March 2017

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MOD RESOURCES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Qualified Opinion

We have audited the consolidated financial report of MOD Resources Limited (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters in the basis for qualified opinion paragraph, the financial report of MOD Resources Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

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

Basis for Qualified Opinion

A limitation in scope of our audit work existed for the year ended 31 December 2015 for the reasons described below:

Carrying value of exploration and evaluation expenditure

As at 31 December 2015 the consolidated entity reported mineral resource assets totalling $3.072 million in relation to the Sams Creek Gold Project.

The recoverability of the carrying value of the mineral resources assets of the Sams Creek Gold Project has been determined based on available estimates and assumptions. Australian Accounting Standard AASB 136 *Impairment of Assets* requires an asset to be carried at no more than its recoverable amount.

As at 31 December 2015 we were unable to obtain sufficient appropriate audit evidence to support the Directors' assessment of the recoverable amount of the asset is at least equal to its carrying value. This qualification does not extend to the current period.

Results of Metal Capital Limited for the period ended 31 December 2015

Included in the results of the consolidated entity is the entity's interest in Metal Capital Limited. We were unable to obtain a complete trial balance for Metal Capital Limited for the period from acquisition to 31 December 2015 and therefore the completeness of transactions could not be determined. As a result we were unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of the financial results and financial position of Metal Capital Limited for the comparative period. This qualification does not extend to the current period.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial report of the current period. These matters were addressed in the context of our audit of the consolidated financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Expenditure (Note 9)	
As at 31 December 2016 the Group had $15,735,511 of exploration and evaluation expenditure split between its Botswana Copper/Silver Project ($8,167,711), the Sams Creek Gold Project ($3,257,095) and the MOD/MTR JV licences ($4,310,705). The Group is required to assess each area of interest in line with *AASB 6 Exploration for and Evaluation of Mineral Resources* to ensure the carrying value does not exceed its recoverable amount. The process to assess for impairment of exploration assets involves significant management judgement and subjectivity with regards to the applicability of impairment indicators and the assessment of the recoverable amount of assets which have not yet reached the production stage. The ability for the Group to determine whether the area of interest is economically viable is dependent upon advancing drilling and feasibility studies to a stage whereby information is readily available to undertake value-in-use calculations. This is a key audit matter due to the nature of the balance and the judgements required in determining the recoverable amounts, including the judgemental nature of the estimates and assumptions used in the impairment analysis.	Our procedures included, amongst others: • Documented the processes and internal controls in respect to accounting for additions and around management's review and assessment of applicability of impairment indicators; • Obtained a schedule of areas of interest held by the Group and assessing the Group's right to tenure over the exploration licences to which exploration expenditure had been capitalised; • Considered the application of requirements under *AASB 6 Exploration for and Evaluation of Mineral Resources* in relation to expenditure capitalised during the period; • Considered the appropriateness of the impairment charge recognised in the current period; • Made enquiries of management, analysing management-prepared impairment memorandum which documents their process to assess the applicability of impairment indicators under AASB 6; • Engaged the services of an independent geologist to evaluate management's assessment of impairment indicators and compare to fair value based on available market information; • Assessed the competencies of the expert in line ASA 620: *Using the work of an Auditors Expert*; and • Assessed the adequacy of related disclosures in Note 9.
Investment in Metal Capital Limited (Note 8)	
The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2016. Until the current year, the accounting of Metal Capital Limited was decentralised. During the year to 31 December 2016 the accounting information and processing has migrated to the Group's head office, allowing for audit procedures to be undertaken for the first time to form an opinion on the material balances included within the consolidated results of the Group. This area is a key audit matter due to the completeness and accuracy of consolidated numbers. The comparative period was qualified in relation to this matter.	Our procedures included, amongst others: • Obtained the trial balance of Metal Capital Limited for the year ended 31 December 2016; • Documented controls over the financial statement reporting function of the subsidiary; • Obtained supporting documentation to support the material balances; and • Obtained and documented management's representations with regards to the activities of the entity.

Grant Thornton

Assessment of cash flows (Note 2(x) and Note 27)	
The nature of the Group's current activities to undertake exploration activities on areas of interest to which it has tenure means it has not generated sufficient revenues, and for 2016 incurred a net loss after tax of $1,920,772. The Group relies on equity or debt raisings in order to have sufficient working capital to carry out its objectives for at least twelve months from the date of signing the financial statements. The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The ability of the Group to continue to pay its debts as and when they fall due is also dependent upon the continued support of a SHL Pty Ltd (a Director Related Entity) through renegotiation or extinguishment of the loan following capital raisings or alternative funding initiatives. The Group has prepared cash flow projections which include a number of assumptions and judgements, including estimates of project and administration expenditure. These projections are used to support the sufficiency of working capital. This area is a key audit matter due to the nature of the business. Should it be inappropriate for the financial statements to be prepared on the going concern basis the values of certain assets and liabilities as set out in the financial statements might be significantly different.	Our procedures included, amongst others: • Obtained management's assessment of the going concern basis of preparation by reviewing future plans and tested cash flow projections prepared by the Group for consistency with our understanding of planned activities; • Assessed the ability of management to prepare accurate budgets and forecasts based on past results; • Held discussions with management as to future capital raising initiates and assessed the forecasted cash flows for the twelve month period from the date of signing the financial statements; • Compared forecast administrative expenditure with actual levels of expenditure for the 2016 financial year and obtained explanations for any significant variances; • Obtained representations from management and the directors as to the adequacy of cash resources; and • Assessed the adequacy and completeness of related disclosures in the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

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

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

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

Grant Thornton

Responsibilities of the Directors' for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 25 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of MOD Resources Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Petricevic
Partner - Audit & Assurance

Perth, 31 March 2017

ASX ADDITIONAL INFORMATION

Additional information is required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report.

The information is correct as at 23 March 2017.

SUBSTANTIAL SHAREHOLDERS

Number of ordinary shares held by the substantial shareholders.

Shareholder	No. of Ordinary Shares
Contango Funds Management Limited	116,674,742
Phoenix Properties International Pty Ltd	92,906,477

CLASS OF SHARES AND VOTING RIGHTS

At 23 March 2017, there were 2,275 holders of the ordinary shares of the Company.

Ordinary Shares

In accordance with the Company's constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

DISTRIBUTION OF SHAREHOLDINGS

Category	No. of Shareholders Ordinary Shares
1 - 1,000	75
1,001 - 5,000	139
5,001 - 10,000	186
10,001 - 100,000	1,036
Over 100,000	839
Total number of shareholders	2,275

Total number of shareholders holding less than a marketable parcel was 223.

TOP 20 SHAREHOLDERS AS AT 23 MARCH 2017

Ordinary Shareholders	Fully Paid	
	Number of Shares Held	Percentage of Shares Held
JP Morgan Nominees Australia Ltd	177,090,783	9.49%
Phoenix Properties International Pty Ltd	92,906,477	4.98%
National Nominees Limited	85,677,586	4.59%
Metal Tiger Plc	80,795,214	4.33%
BNP Paribas Nominees Pty Ltd	68,914,695	3.69%
Citicorp Nominees Pty Ltd	63,005,736	3.38%
Meriton Capital Limited	50,000,000	2.68%
Simon Sui Hee Lee	44,660,851	2.39%
Pershing Australia Nominees Pty Ltd	39,320,638	2.11%
McGhee Investment Holdings Pty Ltd	38,750,093	2.08%
UBS Nominees Pty Ltd	33,744,010	1.81%
Julian P + P G Hanna	33,228,450	1.78%
Merrill Lynch Australia Nominees Pty Ltd	32,445,637	1.74%
Balion Pty Ltd	28,394,337	1.52%
Lee Miller Investments Pty Ltd	24,164,508	1.29%
Rask Pty Ltd (Granger Family Account)	21,948,124	1.18%
Rask Pty Ltd (Granger Superannuation Fund Account)	21,739,686	1.17%
Myall Resources Pty Ltd	21,442,583	1.15%
Citicorp Nominees Pty Ltd	20,143,491	1.08%
HSBC Custody Nominees Australia Limited	20,073,716	1.08%
	998,446,615	53.52%

DISTRIBUTION OF OPTIONHOLDINGS

At 23 March 2017, there were 138 holders of listed $0.01 options expiring 1 May 2018.

Category	No. of Optionholders Listed Options
1 - 1,000	22
1,001 - 5,000	38
5,001 - 10,000	7
10,001 - 100,000	34
Over 100,000	37
Total number of optionholders	138

Total number of shareholders holding less than a marketable parcel was 60.

TOP 20 OPTIONHOLDERS AS AT 23 MARCH 2017

Listed Optionholders	Listed Options	
	Number of Options Held	Percentage of Options Held
David G Glennie	8,350,000	26.79%
Simon Sui Hee Lee	3,250,000	10.43%
McGhee Investment Holdings Pty Ltd	2,784,098	8.93%
Balion Pty Ltd	2,020,470	6.48%
Julian P + P G Hanna	1,620,120	5.20%
G + V Evans	1,616,480	5.19%
Citicorp Nominees Pty Ltd	1,493,219	4.79%
Norvest Projects Pty Ltd	1,000,000	3.21%
Arredo Pty Ltd	900,000	2.89%
Petel Nominees Pty Ltd	750,000	2.41%
ES + C Kastrissios	704,900	2.26%
Matthew Keith Keown	568,667	1.82%
David M Murphy	328,402	1.05%
Scott F + KJ Yull	302,500	0.97%
Adam Nicolai Czurajewski	291,280	0.93%
Robert C + R D Dingle	250,000	0.80%
Chaim Pty Ltd	250,000	0.80%
Deborah Anne Knight	228,131	0.73%
Nicholas D M Donald	221,500	0.71%
Jayni Francis Manners	217,569	0.70%
	27,147,336	87.09%

Unlisted Securityholders

There is 1 holder of unlisted $0.075 options expiring on 20 June 2017.

There are 432 holders of unlisted $0.06 options expiring on 15 April 2019.

There are 14 holders of Performance Rights expiring 21 February 2022.

Stock Exchange Listing

MOD Resources Limited's shares and options are listed on the Australian Securities Exchange.

Other Matters

The chief entity is domiciled in Australia.

The chief entity is a public company for taxation purposes.

SCHEDULE OF EXPLORATION LICENCES

The following exploration licences were in place at 31 December 2016;

Botswana Copper/Silver Project and MOD/MTR JV Licences

Permit/Licence Number	Size (km²) (approx.)	Holding	Title Holder	Licence Commencement Date	Renewal Date
MOD Licences					
PL686/2014	463.0	100%	MOD Resources Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL203/2014	77.7	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 14	31 Mar 17
PL204/2014	70.8	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 14	31 Mar 17
PL280/2014	116.0	100%	MOD Resources Botswana (Pty) Ltd	01 Jul 14	30 Jun 17
PL034/2015	921.0	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 15	31 Mar 17
PL035/2015	789.0	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 15	31 Mar 17
PL036/2015	941.0	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 15	31 Mar 17
MOD JV Licences					
PL009/2012	154.6	80%	GGZ Investments (Pty) Ltd	01 Jan 16	31 Dec 17
PL141/2012	387.3	80%	MOD Resources Botswana (Pty) Ltd	01 Oct 15	30 Sep 17
PL044/2012	75.7	80%	MOD Resources Botswana (Pty) Ltd	01 Oct 15	30 Sep 17
MOD/MTR JV Licences					
PL186/2008	557.0	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL187/2008	648.8	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL188/2008	395.0	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL189/2008	210.7	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL190/2008	708.0	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL191/2008	572.0	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL192/2008	604.5	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL102/2005	331.1	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL103/2005	131.1	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL104/2005	285.3	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	31 Dec 18
PL060/2012	809.2	70%	Discovery Mines (Pty) Ltd	01 Jan 16	Application*
PL061/2012	974.9	70%	Discovery Mines (Pty) Ltd	01 Jan 16	Application*
PL231/2016	65.0	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Oct 16	30 Sept 19
PL335/2016	45.0	70%	Tshukudu Metals Botswana (Pty) Ltd	01 Jan 17	Application**
PL126/2013	341.4	70%	Senyetse Resources (Pty) Ltd	01 Jul 16	30 June 18***
PL127/2013	668.6	70%	Senyetse Resources (Pty) Ltd	01 Jul 16	30 June 18***

Note:
*MOD has applied for two (2) year first renewals for these licences, being processed at date of this announcement
**MOD has applied for this licence, being processed at date of this announcement
***Tshukudu has an option agreement to acquire 100% of these licences

Sams Creek Gold Project

Permit/Licence Number	Size (km²) (approx.)	Holding	Title Holder	Licence Commencement Date	Renewal Date
EP40338	30.6	80%	Sams Creek Gold Limited	27 Mar 98	26 Mar 21
EP54454	32.0	100%	Sams Creek Gold Limited	25 Sep 12	25 Sep 17

MINERAL RESOURCE STATEMENT

BOTSWANA COPPER/SILVER PROJECTS

Summary of Mineral Resource Estimates

Reported according to JORC Category and Deposit

T3 -Mineral Resources at 31 December 2016 and 26 September 2016

JORC Category	Cutoff Cu%	Tonnes	Grade Cu%	Grade Ag g/t	Contained Cu (tonnes)	Contained Ag (oz)
Indicated	0.5	18,071,000	1.35	16.7	244,320	9,724,550
	1.0	10,103,000	1.84	24.2	186,198	7,848,794
	1.5	6,773,906	2.12	29.6	143,675	6,450,935
Inferred	0.5	10,287,000	1.03	13.7	105,853	4,546,534
	1.0	3,162,296	1.82	26	57,396	2,640,127
	1.5	1,706,001	2.3	34.5	39,221	1,892,814
TOTAL (Indicated & Inferred)	0.5	28,358,000	1.24	15.7	350,221	14,271,083
	1.0	13,265,000	1.84	24.6	243,678	10,488,664
	1.5	8,479,907	2.16	30.6	182,912	8,343,592

T1 -Mineral Resources at 31 December 2016 and 31 December 2015

Mahumo Stage One - Total Resources@1.0% Cu cut-off

JORC Category	Tonnes	Cu %	Ag g/t	CuEq[2] %	Cu Tonnes	Ag Ounces
Measured	518,000	1.93%	48.8	2.37%	10,000	813,000
Indicated	1,726,000	1.87%	48.0	2.30%	32,280	2,660,000
Inferred	433,000	2.52%	57.4	3.03%	10,900	800,000
TOTAL	2,677,000	2.00%	50.0	2.44%	53,180	4,273,000

Corner K - Mineral Resources at 31 December 2016 and 31 December 2015

Corner K Deposit –Mineral Resource Estimates[1]

Cut-Off Grade %	Tonnes (Mt)	Cu %	Ag g/t	CuEq[2] %	Contained Copper Tonnes	Contained Silver 000's (oz)
0.30%	9.8	0.90%	18.0	1.12%	87,600	5,655
0.40%	9.5	0.91%	18.4	1.14%	86,600	5,631
0.50%	9	0.94%	19.3	1.17%	84,400	5,593
0.60%	8.5	0.96%	20.3	1.21%	81,300	5,519

1. Tonnes, grade and metal content have been rounded. Rounding may lead to computational discrepancies.

2. CuEq (copper equivalent) calculated using US$3.55/Lb Cu & US$29.96/Oz Ag. There is no adjustment for metallurgical recovery.

The formula used is: CuEq= Cu% + (Ag g/t x 0.01231).

Price data is from Bloomberg's compilation of 11 analysts for 2013, 2014 and 2015, accessed on 19/09/12.

Review of material changes

There have been material changes to MOD's Mineral Resource Estimates since the last reporting period.

A maiden JORC compliant resource at T3 was announced on 26 September 2016. This comprised 28.36Mt @ 1.24% Cu and 15.7g/t Ag. 64% of the total resource tonnes were in the indicated resource category.

T3 is hosted on Prospecting Licence 190 and forms part of a joint venture between MOD Resources Ltd (70%) and AIM-listed Metal Tiger PLC (30%) in the Kalahari Copper Belt, Botswana.

The Mineral Resource Estimates for Prospecting Licence 686 which hosts the Mahumo deposit (formerly Corner K and now referred to as T1) remain unchanged since 31 December 2016. The resource was announced on 25 March 2015.

The T1 and T3 Mineral Resources were estimated by an independent consultant in South Africa in accordance with the Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves (JORC Code, 2012). The T1 and T3 Resource announcements include a statement describing all the resource parameters and assumptions, a competent persons statement and ASX tables appropriate for a new resource estimate.

SAMS CREEK GOLD PROJECT

Summary of Mineral Resource Estimates
Reported according to JORC Category and Deposit

Sams Creek - Mineral Resources at 31 December 2016 and 31 December 2015

Resource Category	Cut-Off g/t Au	Tonnes (Mt)	Grade g/t Au	Contained 000's oz Au
Indicated	0.7	10.1	1.77	575
Inferred	0.7	10.4	1.31	439
TOTAL	0.7	20.5	1.54	1,014
Indicated	1.0	7.9	2.03	515
Inferred	1.0	5.8	1.70	315
TOTAL	1.0	13.7	1.89	830
Indicated	1.5	5.0	2.48	402
Inferred	1.5	2.5	2.33	187
TOTAL	1.5	7.5	2.43	588

Review of material changes

There has been no additional work on the Sams Creek Stage 2 Mineral Resource estimate by Golder Associates completed in October 2013 which includes a JORC compliant Indicated Mineral Resource of 575,000oz gold, based on 10 million tonnes @ 1.77g/t using a 0.7g/t cut-off.

Golder Associates' Resource Statement (including a summary of the 2012 JORC Code assessment criteria) was attached to the 9 October 2013 announcement. There have been no changes to the Mineral Resource Estimate of this Project.

GOVERNANCE AND INTERNAL CONTROLS

MOD maintains strong QAQC controls across all resource related work.

BOTSWANA COPPER/SILVER PROJECT

Sampling Method

Drill core is logged, split and sampled by MOD personnel at site. The saw blade is cleaned after each sample by cutting unmineralised material to avoid contamination. The logging process documents lithological, alteration and structural information as well as geotechnical data, percentage recovery and density measurements. Diamond core is sampled and assayed at 1m intervals, or less, as dictated by lithological contacts, and assayed for 35 elements at ALS Chemex laboratory in Johannesburg. Industry standards, blanks and duplicates are submitted into the sample stream for analysis.

For RC drilling a 30-35 kilogram sample is collected from the cyclone discharge at 1m intervals. The drill hole is flushed with compressed air after each 1m interval. The sample is then split 75/25. The 25% portion is further split 50/50. One half provides material for analysis and the other half is archived. 1m samples are collected. All samples are bagged, sealed and transported in secured wooden crates and shipped to ALS Chemex laboratories in Johannesburg, South Africa. Standards, blanks and duplicates are inserted into the sample stream for RC.

Sample Preparation and Analysis

MOD has implemented an industry-standard QA/QC program. Drill core is logged, split by sawing and sampled at site. Samples are bagged, labelled, sealed and packed in sealed containers and shipped to ALS Chemex laboratories in Johannesburg, South Africa. Blanks and Certified Reference Material standards are inserted into the sample stream at every 10th sample interval. Samples at the lab are prepared using industry standard techniques including a silica wash after each sample has been crushed. Analytical techniques have been chosen to best characterize total and non-sulphide copper and silver mineralisation as well as to test for other metals.

The following methods are utilised:

1. 35 elements by aqua-regia acid digestion and ICP-AES that includes total copper and silver.
2. Analysis of over limits for Cu.
3. Analysis for non-sulphide Cu.

Currently all core samples are analysed for total and acid soluble Cu. RC samples are also assayed for total and soluble Cu. RC samples are not composited. All results are reported as down hole widths.

The Mahumo resource estimate was calculated by independent third party, Sphynx Consulting Pty Ltd and reported under JORC 2012. Mr A.I. Pretorius is a full-time employee of Sphynx Consulting CC and registered with SACNASP (400060/91). Mr Pretorius consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Corner K resource estimate was calculated by independent third party, Sphynx Consulting Pty Ltd and reported under JORC 2004 rules. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported and is based on and fairly represents information reviewed and approved by Jacques Janse van Rensburg, BSc (Hons), General Manager Exploration (Africa) for MOD Resources Ltd. Various visual and statistical checks were made to validate the results.

Competent Person's Statement

The Competent Person responsible for the geological interpretation, Mineral Resource estimation and classification of the Mahumo Copper/Silver Project is Mr A.I. Pretorius, who is a full-time employee of Sphynx Consulting CC and registered with SACNASP (400060/91). Mr Pretorius has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'. Mr Pretorius consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to Geological Data and Exploration Results at the Botswana Copper Project is reviewed and approved by Jacques Janse van Rensburg, BSc (Hons), General Manager Exploration (Africa) for MOD Resources Ltd. He is registered as a Professional Natural Scientist with the South African Council for Natural Scientific Professions (SACNASP) No. 400101/05 and has reviewed the technical information in this report. Mr Janse van Rensburg has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity which it is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Janse van Rensburg has approved the Statement as a whole and consents to the inclusion in this report in the form and context in which it appears.

SAMS CREEK GOLD PROJECT

Sampling Method

Drill core is logged, split and sampled by MOD personnel at site. The logging process documents lithological, alteration and structural information as well as geotechnical data, percentage recovery and density measurements.

Diamond core is sampled and assayed at 1m intervals, or less, as dictated by lithological contacts, and assayed for gold at SGS's laboratory in Waihi, New Zealand and a 50 element suite by ALS in Brisbane.

Industry standards and blanks are submitted with each batch along with duplicates created by splitting half core and submitting both samples into the sample stream.

Sample Preparation, Analysis and Security
MOD has implemented an industry-standard QA/QC program. Drill core is logged, split by sawing and sampled at site. Samples are bagged, labelled, and shipped to SGS laboratory in Waihi, New Zealand. Certified Reference - Material standards including blanks are inserted into the sample stream at approximately every 25th sample interval. Samples at the lab are prepared using industry standard techniques including a silica wash after each sample has been pulverised. SGS splitout a 50gm pulverised sample which is sent to ALS in Brisbane for multi-element determinations.

The following analytical methods are utilised:
1. Gold is analysed by 30gm Fire Assay
2. Other element (50 element suite including As, S, Cu, Pb, Zn and Sb), by aqua-regia acid digestion and ICPMS.

All results are reported as down hole widths with estimates made of the true width of the host porphyry.

Resource estimates were calculated by independent third party, Golder Associates Pty Ltd and reported under JORC 2012 rules. Various visual and statistical checks were made to validate the results.

Competent Person's Statement

The information in this Mineral Resources Statement that relates to Geological Data and Exploration Results at the Sams Creek Gold Project is based on and fairly represents information compiled by Mr Paul Angus, Project Manager of Sams Creek and a Director of MOD Resources Limited's subsidiary, Sams Creek Gold Limited. Mr Angus is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the December 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Angus has approved the Statement as a whole and consents to the inclusion in this announcement in the form and context in which it appears.

COMPETENT PERSON'S STATEMENTS

The Competent Person responsible for the geological interpretation, Mineral Resource estimation and classification of the Mahumo Copper/Silver Project is Mr A.I. Pretorius, who is a full-time employee of Sphynx Consulting CC and registered with SACNASP (400060/91). Mr Pretorius has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'. Mr Pretorius consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears.

The information in this Annual Report that relates to Geological Data and Exploration Results at the Botswana Copper/Silver Project, which includes T3 is reviewed and approved by Jacques Janse van Rensburg, BSc (Hons), Business Development Manager for MOD Resources Ltd. He is registered as a Professional Natural Scientist with the South African Council for Natural Scientific Professions (SACNASP) No. 400101/05 and has reviewed the technical information in this report. Mr Janse van Rensburg has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and the activity, which it is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Janse van Rensburg consents to the inclusion in this Annual Report of the matters based on information in the form and context in which it appears.

The information in this Annual Report that relates to Geological Data and Exploration Results at the Sams Creek Gold Project is based on and fairly represents information compiled by Mr Paul Angus, Project Manager of Sams Creek and a Director of MOD Resources Ltd's subsidiary, Sams Creek Gold Ltd. Mr Angus is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the December 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Angus consents to the inclusion in this Report of the matters based on information in the form and context in which it appears.

Information in this Annual Report relates to previously released exploration data disclosed under the JORC Code 2004. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported and is based on and fairly represents information reviewed and approved by Mr Jacques Janse van Rensburg and Mr Paul Angus.

No New Information

To the extent that this announcement contains references to prior exploration results and Mineral Resource estimates, which have been cross referenced to previous market announcements made by the Company, unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Disclaimer and Forward Looking Statements

This Annual Report has been prepared by MOD Resources Limited. The document contains background Information about MOD Resources Limited current at the date of this report. The report is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this report.

The report is for information purposes only. Neither this report nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction. The Annual Report may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply to their own jurisdiction as a failure to do so may result in a violation of securities laws in such jurisdiction.

This Annual Report does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this report are not intended to represent recommendations of particular investments to particular persons. Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments.

To the fullest extent of the law, MOD Resources Limited, its officers, employees, agents and advisers do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of any information, statements, opinion, estimates, forecasts or other representations contained in this report. No responsibility for any errors or omissions from the Annual Report arising out of negligence or otherwise is accepted.

Such forward looking statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance achievements to differ materially from those expressed, implied or projected in any forward-looking statement. No representation or warranty, expressed or implied, is made by MOD Resources Limited that material contained in this report will be achieved or proved correct.

This report does not include reference to all available information on MOD Resources Limited, the Sams Creek Gold Project or the Botswana Copper Project and should not be used in isolation as a basis to invest in the Company. Potential investors should refer to MOD Resources Limited's other public releases and consult professional advisers before investing in the Company.

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