



MARENGO
Mining Limited

2015 Financial Report

Years ended June 30, 2015 and 2014

(Based on International Financial Reporting Standards (“IFRS”) and stated in thousands of United States dollars, unless otherwise indicated)

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COMPANY NO. 822513-3 / ARBN: 161 356

Management's Responsibility for Financial Reporting

The consolidated financial statements, the notes thereto, of Marengo Mining Limited (the "Company" and its subsidiaries have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared. However, any system of internal controls over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors, principally through the Audit and Risk Committee, is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfils its financial reporting responsibilities.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, who were appointed by the shareholders to examine the consolidated financial statements and provide an independent auditor's opinion thereon. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements. PricewaterhouseCoopers LLP has full and free access to the Board of Directors.

"signed"

Pieter Britz

President and Chief Executive Officer

"signed"

Alexander Dann

Chief Financial Officer

September 22, 2015



September 22, 2015

Independent Auditor's Report

To the Shareholders of Marengo Mining Limited

We have audited the accompanying consolidated financial statements of Marengo Mining Limited and its subsidiaries (together the company), which comprise the consolidated statements of financial position as at June 30, 2015 and June 30, 2014 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2015 and June 30, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Marengo Mining Limited's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

Consolidated Statements of Financial Position

(Stated in thousands of U.S. dollars)

		As at June 30,	
	Notes	2015	2014
CURRENT ASSETS			
Cash and cash equivalents	4	4,831	421
Short term investments	5	48	99
Receivables and other current assets	6	252	318
TOTAL CURRENT ASSETS		5,131	838
NON-CURRENT ASSETS			
Property, plant and equipment	7	429	610
Exploration and evaluation assets	8	144,340	160,855
TOTAL NON-CURRENT ASSETS		144,769	161,465
TOTAL ASSETS		149,900	162,303
CURRENT LIABILITIES			
Trade and other payables	9	1,749	2,402
Provisions	10	186	663
Loans and borrowings	11	34,038	3,046
Derivative financial instrument	12	9,650	14,581
TOTAL CURRENT LIABILITIES		45,623	20,692
NON-CURRENT LIABILITIES			
Loans and borrowings	11	5,997	17,222
TOTAL NON-CURRENT LIABILITIES		5,997	17,222
TOTAL LIABILITIES		51,620	37,914
SHAREHOLDERS' EQUITY			
Share capital	13	189,927	187,242
Contributed surplus	14	2,400	2,395
Accumulated comprehensive losses		(94,047)	(65,248)
TOTAL SHAREHOLDERS' EQUITY		98,280	124,389
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		149,900	162,303

Nature of Operations, Going Concern (Note 1) and Subsequent Events (Note 22).

The accompanying notes are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on September 22, 2015

"signed"

John Hick
Chairman

"signed"

David Danziger
Audit Committee Chair

Consolidated Statements of Loss and Comprehensive Loss

(Stated in thousands of U.S. dollars, except shares and share data)

		For the years ended June 30,	
	Notes	2015	2014
EXPENSES			
General and administration expenses		(4,089)	(5,619)
Depreciation	7	(145)	(180)
Exploration and evaluation assets written-off	8	(505)	(213)
Forfeited land deposits	8	-	(466)
Net foreign exchange loss		(33)	(1)
Loss on disposal of property, plant and equipment	7	-	(72)
Share-based payment recovery (expense)	14	(5)	761
		(4,777)	(5,790)
OTHER ITEMS			
Interest income		6	59
Other income (loss)	12	11,428	(1,578)
Financing costs	11	(12,696)	(6,339)
		(1,262)	(7,858)
NET LOSS FOR THE YEAR		(6,039)	(13,648)
OTHER COMPREHENSIVE LOSS			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(20,075)	(19,154)
Other comprehensive loss for the year, net of tax		(20,075)	(19,154)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(26,114)	(32,802)
Basic and diluted loss per share		(0.01)	(0.01)
Weighted average shares outstanding		1,137,870,521	1,137,870,521

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Changes in Shareholders' Equity

(Stated in thousands of U.S. dollars except share data)

	Notes	Share Capital	Options and Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	Total Shareholders' Equity
BALANCE AT JULY 1, 2013		187,729	3,156	1,786	(32,447)	160,224
Net loss for the year		-	-	-	(13,648)	(13,648)
Other comprehensive loss that may be reclassified to the profit or loss		-	-	(19,154)	-	(19,154)
TOTAL COMPREHENSIVE LOSS		-	-	(19,154)	(13,648)	(32,802)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Financing transaction costs		(24)	-	-	-	(24)
Exchange differences on translation of equity items to presentation currency		(463)	-	(1,785)	-	(2,248)
Employees and consultants share options	14	-	(761)	-	-	(761)
BALANCE AT JUNE 30, 2014		187,242	2,395	(19,153)	(46,095)	124,389
Net loss for the year		-	-	-	(6,039)	(6,039)
Other comprehensive loss that may be reclassified to the profit or loss		-	-	(20,075)	-	(20,075)
TOTAL COMPREHENSIVE LOSS		-	-	(20,075)	(6,039)	(26,114)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Exchange differences on translation of equity items to presentation currency		2,685	-	(2,685)	-	-
Employees and consultants share options	14	-	5	-	-	5
BALANCE AT JUNE 30, 2015		189,927	2,400	(41,913)	(52,134)	98,280

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Stated in thousands of U.S. dollars)

	Notes	For the years ended June 30,	
		2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(6,039)	(13,648)
Items not affecting cash:			
Depreciation	7	145	180
Share based compensation expense (recovery)	14	5	(761)
Fair value of derivative liability loss (gain)	12	(11,428)	1,578
Interest accrued on debentures	11	12,696	6,339
Loss on disposal of property, plant and equipment	7	-	72
Write-down of exploration and evaluation assets	8	505	213
Unrealized foreign exchange gain		(253)	
Changes in working capital	18	(658)	(63)
Net cash used in operating activities		(5,027)	(6,090)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in term deposits		51	4,926
Interest received		1	59
Proceeds from sale of property, plant and equipment		-	37
Additions to property, plant and equipment	7	(31)	(14)
Additions to exploration and evaluation assets (includes changes in working capital)	8	(4,669)	(8,616)
Net cash used in investing activities		(4,648)	(3,608)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	11	14,500	9,000
Payment of financing costs		(339)	(471)
Net cash provided by financing activities		14,161	8,529
Increase (decrease) in cash and cash equivalents for the year		4,486	(1,169)
Cash and cash equivalents, beginning of the year		421	1,667
Effect of foreign exchange rate changes on cash and cash equivalents		(76)	(77)
Cash and cash equivalents, end of the year		4,831	421

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements for the Year Ended June 30, 2015

(All currency amounts are in thousands of U.S. dollars, unless stated otherwise)

(1) NATURE OF OPERATIONS AND GOING CONCERN

Marengo Mining Limited (the "Company" or "Marengo") is an international mineral exploration and development company, limited by shares, and domiciled and incorporated in Canada. The Company operates under the Ontario Business Corporation Act and its registered office is in Toronto, Canada, at 100 King Street West, Suite 3400, Toronto, Ontario, M5X 1B8. Marengo is listed on the Toronto Stock Exchange (the "TSX") (Symbol: MRN), and the Port Moresby Securities Exchange Limited ("POMSoX") (Code: MMC). The Company officially delisted from the Australian Securities Exchange (the "ASX") on June 2, 2015.

The primary activity of the Company is the exploration and development of its principal asset, the Yandera copper-molybdenum-gold property (the "Yandera Project") in Papua New Guinea. The Company is currently focused on advancing the development of the Yandera Project.

The Company is an exploration and development stage entity and has not yet achieved profitable operations. It is subject to risks and challenges similar to companies in a comparable stage of development. These risks include, but are not limited to the challenges of securing adequate capital to fund its activities, operations risks inherent in the mining industry, and global economic and commodity price volatility. The underlying value of the Yandera Project and the recoverability of the related capitalized costs are entirely dependent on the Company's ability to successfully develop the Project by, among other things, securing necessary permits, obtaining the required financing to complete the development and construction, and upon future profitable production from, or the proceeds from the disposition of, its mineral property.

As at June 30, 2015, the Company incurred a comprehensive loss of \$26,114 (June 30, 2014 - \$32,802) and reported accumulated comprehensive losses of \$94,047 (June 30, 2014 - \$65,248). At June 30, 2015, the Company had a working capital deficiency of \$40,492 (June 30, 2014 - \$19,854). The Company's sole source of funding has been the issuance of convertible debt and other loan instruments, and equity securities.

As at June 30, 2015, the Company had \$4,831 in available cash and cash equivalents and short term deposits (June 30, 2014 - \$421). There are no sources of operating cash inflows. Given the Company's current financial position and the anticipated ongoing exploration and evaluation expenditures for the Yandera Project, Marengo's major shareholder, which consists of three entities controlled by The Sentient Group, (collectively, "Sentient") has agreed to provide financial assistance to the Company. Note 11 sets out the details of the restructuring of the Company's financial commitments with Sentient.

The Company will need to raise additional capital through equity issuance or other available financing alternatives in parallel with financial support provided by Sentient in order to continue funding its operating, exploration and evaluation activities, and eventual development of the Yandera Project. Although the Company has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in the future.

These circumstances, along with other risks relevant to exploration companies, such as continuing losses, result in material uncertainty which lends significant doubt as to the ability of the Company to fulfil its exploration and development activities and, accordingly, the appropriateness ultimately of the use of the accounting principles applicable to a going concern.

Management expects that additional funding will be provided from Sentient or other sources, and therefore these consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from June 30, 2015. Different basis of measurement may be appropriate when a Company is not expected to continue operations for the foreseeable future.

These consolidated financial statements do not give effect to adjustments to the carrying values of assets, liabilities and the reported expenses and classifications that would be necessary, should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on September 22, 2015.

(2) BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the consolidated entity consisting of Marengo Mining Limited and its subsidiaries.

(a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of Preparation

These consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of any financial assets and financial liabilities (including derivative instruments), measured at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statement of the Company, Marengo Mining Limited, and its wholly-owned subsidiaries. Consolidation is required when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The consolidated financial statements incorporate the assets, liabilities and results of operations of the following subsidiaries:

Name	Country of Incorporation	Class of Shares	Equity Holding	
			2015 (%)	2014 (%)
Marengo Mining (Australia) Limited	Australia	Ordinary	100	100
Yandera Mining Company Limited	Papua New Guinea	Ordinary	100	100
Yandera Mining Company (Holdings) Pty Limited	Australia	Ordinary	100	100
Marengo Mining (PNG) Limited	Papua New Guinea	Ordinary	100	100

On January 10, 2013, the Company implemented a restructuring, by way of a Scheme of Arrangement ("Scheme"), which resulted in the re-domiciling of the Company from Australia to Canada under the name Marengo Mining Limited. Pursuant to the Scheme, the current wholly-owned Australian subsidiary (Marengo Mining (Australia) Limited) was acquired by the Company effective January 10, 2013. This transaction has been accounted for as a capital reorganisation, rather than a business combination.

(d) Foreign Currencies

During the 2013 fiscal year the Company structure was changed to include a Canadian parent company, Marengo Mining Limited. The functional currency for the Canadian parent company was assessed and determined to be United States Dollars (USD). The functional currency of the Australian subsidiaries remains Australian dollars (AUD) and the Papua New Guinea subsidiaries is Papua New Guinea Kina (PGK).

The individual financial records of each group entity are kept in the currency of the primary economic environment in which the entity operates (its functional currency - see note 2(t)). The consolidated financial statements are presented in United States dollars, which is the Company's functional and presentation currency.

Foreign currency transactions in a currency other than the entity's functional currency are recognized using the exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated at the rates of exchange prevailing on the underlying transaction dates.

Exchange differences are recognized in profit and loss in the period in which they arise. For the purposes of presenting

consolidated financial statements:

- Assets and liabilities of the foreign operations are expressed in United States dollars using exchange rates prevailing at the end of the reporting period;
- Income and expense items are translated at average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case exchange rates at the dates of the transactions are used; and
- All resulting exchange rate differences are recognised in other comprehensive loss and accumulated comprehensive losses.

(f) Share-Based Compensation

The Company has a stock option plan that allows the Company's employees and directors to acquire common shares of the Company. The fair value of the options granted is recognized as a share-based compensation expense with a corresponding increase in contributed surplus. The fair value of options is measured using the Black-Scholes option pricing model and estimated forfeitures as at the grant date is recognized over the vesting period. At each financial reporting date, the compensation expense is adjusted to reflect any changes to the Company's estimate of the number of awards that are expected to vest. Upon exercise of a share option, the consideration received is credited to share capital along with the amounts previously recognized in contributed surplus.

The Company also recognizes share-based compensation awards made in the current period whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of options that, in the opinion of the management, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

(f) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis ("temporary differences") and loss carry-forwards.

Such deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or the initial recognition of assets and liabilities (other than in a business combination) in a transaction that affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates and laws that have been enacted or substantially enacted by the reporting period and are expected to apply in the period in which the tax asset is realised or the tax liability is settled.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred taxes are recognised as expense or income in profit or loss, except when they relate to items that are recognised outside profit and loss (whether in other comprehensive income or directly in equity), in which case, the tax is also recognised outside profit and loss. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(g) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand, and cash held with financial institutions, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

and which are subject to insignificant risk of changes in value.

(h) Short Term Investments

Short-term investments include deposits with maturity terms of greater than three months, but not exceeding one year. Interest income on these short-term deposits is recorded as earned over the term of the deposit.

(i) Financial Assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in profit or loss.

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 amortized cost using the effective interest rate method, less any impairments. Any losses arising from impairments are recognized in the consolidated statement of comprehensive loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net earnings.

(j) Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable, accrued liabilities, provisions, loans, convertible debentures and a derivative liability.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

Convertible Debentures

The Company's convertible debentures are considered financial instruments initially measured at fair value, net of direct expenses, through profit or loss, then subsequently at amortized cost. The convertible debentures contain embedded derivatives conversion feature option that could significantly modify the cash flows that otherwise would be required by the contract.

Embedded derivatives are separated from the host liability debt component and accounted for separately. The conversion feature is recognized initially and subsequently at the end of each reporting period at fair value using a Black-Scholes option pricing model. Any changes in fair value of the derivatives are recognized as profit or loss in the consolidated statement of comprehensive loss. Upfront costs and fees related to the convertible debentures are netted against the host liability of the convertible debentures.

Interest-Bearing Loans and Borrowing Costs

Financial liabilities classified as loans are initially recognised at fair value, net of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statements of comprehensive loss over the term of the loan using the effective interest method.

Loans with embedded derivative feature are separated from the derivative component. The embedded derivative liability is measured and accounted for similarly as embedded derivatives in convertible debentures.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the term of the debt facility to which it relates.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Fair value hierarchy

The Company uses a three level hierarchy to categorize the significance of the inputs used in measuring the fair value of financial instruments. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 consists of financial instruments such as quoted share prices.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value, volatility factors and broker quotations, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs which are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value. Level 3 instruments may include items based on pricing services or broker quotes where the Company is unable to verify the observability of inputs into their prices. Level 3 instruments include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, internally developed methodologies are used to determine fair value which primarily includes extrapolation of observable future prices to similar location, similar instruments or later time periods.

(k) Other Comprehensive Income/(Loss)

Other comprehensive income/(loss) ("OCI") consists of unrealized gains/(losses) of exchange differences arising from translation of foreign operations.

(l) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at the inception date.

Finance Leases

Finance leases which transfer substantially all the risks and rewards of ownership of the leased item to the Company as a lessee, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Lease payments are allocated between the liability and finance cost. The finance cost is recognized in the consolidated statements of earnings.

Operating Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Company as a lessee are

classified as operating leases. Payments made under operating leases are recognized in the consolidated statements of earnings on a straight-line basis over the lease term.

(m) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

Depreciation is recognized so as to write-off the cost of assets less their residual values over their useful lives using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains and losses on disposals are included in the profit and loss.

The Company provides depreciation of its property, plant and equipment at the following annual rates:

Buildings	-	Straight line 10-15 years
Furniture, Fittings and Equipment	-	Straight line 5-12 years
Motor Vehicles	-	Straight line 5 years

(n) Impairment of Long-Lived Assets

At each reporting period, the Company assesses changes to facts and circumstances and determines if there is an indication that the carrying amount of an asset may exceed its recoverable amount.

Where an indicator of impairment exists, a formal estimate of the recoverable amount of the asset is made.

The recoverable amount is the higher of the fair value less costs of disposal and value in use:

- Fair value less cost of disposal is the amount obtainable from the sale of the asset or cash-generating unit ("CGU") in an arm's length transaction between knowledgeable, willing parties less costs of disposal.
- Value in use is determined as the present value of the estimated future pre-tax cash flows expected to arise from. The continued use of the asset or CGU in its present form and its eventual disposal, discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimate of future cash flows have not been adjusted. Value in use calculations do not take into account future development.

In determining a CGU, management has examined the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or group of assets.

The continued use of the asset or CGU in its present form and its eventual disposal, discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimate of future cash flows have not been adjusted. Value in use calculations do not take into account future development.

If the carrying amount of the asset or CGU exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized in the income statement.

Previously recognized impairment losses are assessed each reporting period for any indications that the losses have decreased or no longer exist. Such an impairment loss is reversed, in full or in part, if there has been a change in the estimates used to determine the recoverable amount, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment losses had been recognized in previous periods.

(o) Exploration and Evaluation Expenditures

Exploration and development costs related to the acquisition of mineral interest rights, exploratory drilling, geological and technical feasibility studies are accumulated and capitalised in relation to each identifiable area of interest. Accumulated costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale

or successful development and exploitation of the area of interest or, where activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

When an area of interest is abandoned or management decides that it is not commercially viable, any accumulated costs in respect to that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each reporting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

Costs incurred in relation to prospecting, or preparing for or applying for prospecting rights are expensed as incurred.

(p) Common Shares (Share Capital) and Warrants

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Warrants are classified within contributed surplus. Where common share and warrants are offered together as a "unit", the Company allocates the consideration received per unit, net of any issuance costs, to the common shares and warrants based on their relative fair values. The fair value of warrants is measured using the Black-Scholes option pricing model.

(q) Equity Financing and Listing Costs

Costs directly identifiable with the raising of capital are charged against the related capital account. Costs related to securities not yet but likely to be issued are presented as a prepaid asset until the issuance of the securities, to which the costs relate, at which time the costs are charged against the related capital account or charged to earnings if the securities are not issued. Costs which are incurred as part of an actual or proposed listing of existing shares are expensed as incurred.

(r) Loss per Share

The Company presents basic and diluted loss per share for its common shares calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of ordinary common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(t) Change of Accounting Policy

In 2013 fiscal year, following the addition of the new parent company with a USD functional currency, the Company elected to change its presentation currency from AUD to USD. The change in presentation currency was made to better reflect the Company's business activities, its re-domicile to North America and to improve comparability with the Company's peers in the mining industry. The change in the presentation currency represents a change in accounting policy, which has been applied retrospectively.

The Company has adopted the following new and revised standards. These changes were made in accordance with the applicable transitional provisions.

IFRIC 21 "Levies" (IFRIC 21)

IFRIC 21, Accounting for levies imposed by government clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This standard is effective for annual periods beginning on or after January 1, 2014. The adoption of this interpretation did not result in any impact to the Company's financial statements.

IAS 32 "Financial Instruments: Presentation" (IAS 32)

IAS 32 Financial instruments: presentation was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014. The adoption of this amendment did not result in any impact to the Company's financial statements.

IAS 36 "Impairment of Assets" (IAS 36)

The International Accounting Standards Board ("IASB") has amended IAS 36 to remove the requirement to disclose recoverable amount when a cash generating unit ("CGU") contains goodwill or indefinite lived intangible assets but there has been no impairment. The amendment requires additional disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed; and detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed. This amendment is effective for annual periods

beginning on or after January 1, 2014. The adoption of this amendment did not result in any impact to the Company's financial statements.

IFRS 2 "Share Based Payment" (IFRS 2)

The IASB published amendments to IFRS 2 to provide clarification on the definition of a "vesting condition" and separately defines "performance condition" and "service condition". The amendments are effective which the grant date is on or after July 1, 2014. The adoption of these amendments did not result in significant impact to the Company's financial statements.

IFRS 3 "Business Combinations" (IFRS 3)

The IASB published amendments to clarify that an obligation to pay contingent consideration which meets the definition of an financial instrument is classified as a financial liability or as equity, on the basis of the definition in IAS 32, "Financial Instruments - Presentation". The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. These amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments did not result in any impact to the Company's financial statements.

IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39)

The IASB published amendments to IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedge instrument to a central counterparty meets specified criteria. The adoption of this amendment did not result in any impact to the Company's financial statements.

(u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Company operates in one reportable segment, that being the exploration, evaluation and development of mineral properties.

(v) Standards, Interpretations and Amendments Not Yet Effective

IFRS 9 "Financial Instruments" (IFRS 9)

IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in the statement of earnings to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is still assessing the impact of this standard.

IAS 16 "Property, Plant and Equipment" (IAS 16)

The IASB has published Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The Company is still assessing the impact of this standard.

Amendments

The requirements of IAS 16 are amended to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of *generation* of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of *consumption* of an asset's expected future economic benefits.

IAS 1 - "Presentation of Financial Statements" (IAS 1)

The IASB has published Disclosure Initiative (Amendments to IAS 1). The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

Amendments

Disclosure Initiative (Amendments to IAS 1) makes the following changes:

- **Materiality.** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- **Statement of financial position and statement of profit or loss and other comprehensive income.** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- **Notes.** The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Company is still assessing the impact of this standard.

(3) CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that can affect reported amounts of assets, liabilities revenues and expenses and the accompanying disclosures. Estimates and assumptions are continuously evaluated and are based on management's historical experience and on other assumptions believed to be reasonable under the circumstances. However, different judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

(a) Recoverability of Exploration and Evaluation Assets

The ultimate recoverability of the exploration and evaluation assets of \$144.3 million carrying value at June 30, 2015, is dependent upon the Company's ability to obtain the necessary financing and permits to complete the development and commence profitable production at the Yandera Project, or alternatively, upon the Company's ability to dispose of its interest therein on an advantageous basis. A review of the indicators of potential impairment is carried out at least at each period end.

Management undertakes a periodic review of these assets to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the assets is made. An impairment loss is recognized when the carrying value of the assets is higher than the recoverable amount and when mineral license tenements are relinquished or have lapsed. In undertaking this review, management of the Company is required to make significant estimates of, among other things, discount rates, commodity prices, availability of financing, future operating and capital costs and all aspects of project advancement. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the assets.

(b) Fair Value of Derivative Financial Instrument

The embedded derivative conversion option feature contained within the convertible debentures is valued using the Black-Scholes model. The inputs to this model are taken from observable markets where possible, but if this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as expected volatility and the expected life of the conversion feature option. Changes in assumptions about these factors could affect the reported fair value of the derivative liabilities.

(c) Valuation of Share-Based Compensation

The Company estimates the fair value of convertible securities such as warrants and options using the Black-Scholes option pricing model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected forfeiture rates. The accounting policy in Note 2(e) as well as Note 14 of the Financial Statements contain further details of significant assumptions applied to these areas of estimation.

(4) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of \$4,831 (June 30, 2014 - \$421). The Company held \$4,003 in short term deposits comprised of a notice deposit account (June 30, 2014 - \$Nil), cashable within 31 days notice.

(5) SHORT TERM INVESTMENTS

The Company has set aside \$48 (June 30, 2014 - \$99) in short term investments as restricted cash relating to the bank guarantees with a third party supplier.

(6) RECEIVABLES AND OTHER CURRENT ASSETS

Receivables of \$121 (June 30, 2014 - \$49) consisted of harmonized sales tax ("HST"), good services tax ("GST") and other miscellaneous receivables.

The balance in other current assets of \$131 (June 30, 2014 - \$269) relates primarily to prepaid expenditures.

(7) PROPERTY, PLANT AND EQUIPMENT

The table below sets out costs and accumulated depreciation as at June 30, 2014 and 2015:

	Land and Buildings	Furniture, Fittings and Equipment	Vehicles	Total
Cost				
Balance – July 1, 2013	159	1,903	536	2,598
Additions	-	14	-	14
Foreign exchange	(14)	(214)	(41)	(269)
Disposals	-	(19)	(90)	(109)
Balance – June 30, 2014	145	1,684	405	2,234
Additions	19	12	-	31
Foreign exchange	(7)	(53)	(7)	(67)
Disposals	-	-	-	-
Balance – June 30, 2015	157	1,643	398	2,198
Accumulated Depreciation				
Balance – July 1, 2013	53	1,097	294	1,444
Depreciation	10	135	35	180
Balance – June 30, 2014	63	1,232	329	1,624
Depreciation	9	102	34	145
Balance – June 30, 2015	72	1,334	363	1,769
Carrying Amount				
As at July 1, 2013	106	806	242	1,154
As at June 30, 2014	82	452	76	610
As at June 30, 2015	85	309	35	429

(8) EXPLORATION AND EVALUATION ASSETS

	As at June 30,	
	2015	2014
Opening net cost amount	160,855	173,667
Foreign exchange	(20,182)	(20,847)
Expenditures capitalised during the year	4,172	8,248
Expenditures written-off during the year	(505)	(213)
Closing Balance	144,340	160,855

During the year, the Company has written-off \$505 (June 30, 2014 - \$213) of its exploration and evaluation assets due to the abandonment of tenements.

Forfeited Land Deposits

On August 20, 2012, the Company entered into a land purchase agreement with Jant Limited through its wholly owned subsidiary Yandera Mining Company Limited. As per the terms of the agreement, the Company paid a purchase deposit in the amount of 1,000,000 PKG and also incurred additional legal related costs. During the quarter ended March 31, 2014, the Company withdrew from the agreement due to circumstances relating to non-rezoning of the land and internal restructuring. As a result of this forfeiture, the full amount of the purchase deposit was expensed in the Statement of Comprehensive Loss in the amount of \$466 (1,211,962 PKG) in the prior year. There were no forfeited land deposits during the current year.

The Company previously farmed out its Bowgan Project to a subsidiary of Mega Uranium Limited (Mega). During August 2009, Mega further farmed out the project to Bowgan Minerals Limited (Bowgan) whereby Bowgan can earn up to an 80% interest in the project, by expending AUD\$1,280,000, within five years. Upon completion of Bowgan's expenditure, the Company will retain a 10% interest. The joint venture is in relation to uranium and other minerals, and has a carrying value of \$Nil (June 30, 2014 - \$Nil).

(9) TRADE AND OTHER PAYABLES

Accounts payable and accrued liabilities include the following components:

	As at June 30,	
	2015	2014
Trade payables	563	1,154
Accrued liabilities	1,186	1,248
	1,749	2,402

(10) PROVISIONS

Provisions include the following components:

	As at June 30,	
	2015	2014
Employee benefits	186	663
	186	663

Employee benefits relate to accrued employees' entitlements for annual leave, time off in lieu and long service leave.

(11) LOANS AND BORROWINGS

The following table displays the activities of the Company's current and long term debt instruments for the year ended June 30, 2015 and June 30, 2014:

2015	At June 30, 2014	Initial Recognition	Extinguishment/ Revaluations	Accretion	At June 30, 2015
Sentient loan	3,046	-	(3,046)	-	-
9% January 2014 convertible debentures	17,122	36,273	(36,608)	8,218	25,105
9% July 2014 convertible debentures	-	12,792	(6,777)	2,918	8,933
9% December 2014 convertible debentures	-	5,039	-	958	5,997
	20,268	54,104	(46,431)	12,094	40,035
Less: current portion	3,046	-	-	-	34,038
Total long term debt	17,222	54,104	(46,431)	12,094	5,997

2014	At June 30, 2013	Initial Recognition	Extinguishment/ Revaluations	Accretion	At June 30, 2014
Sentient loan	10,668	10,000	(17,622)	-	3,046
9% January 2014 convertible debentures	6,833	20,324	(16,055)	6,120	17,222
	17,501	30,324	(33,677)	6,120	20,268
Less: current portion	10,668	-	-	-	3,046
Total long term debt	6,833	30,324	(33,677)	6,120	17,222

Sentient Loan

On April 29, 2014, the Company had signed a new loan agreement with Sentient. Under the terms of the loan agreement, Sentient provided the Company a loan facility of \$3,000. The loan accrued interest monthly at a rate of 9% per annum, payable quarterly. The maturity date of the loan was December 31, 2014. Subject to applicable shareholder and regulatory approvals, the principal and interest accrued on the loan was payable by the Company through issuance of common shares or other securities convertible into common shares of the Company.

On June 2, 2014, the Company had entered into a loan conversion and debenture purchase agreement (the "Agreement") with Sentient. Pursuant to the terms of the Agreement, on July 15, 2014, the Company converted the unsecured interest-bearing debt facility with Sentient, in the aggregate principal amount of \$3,000, dated April 29, 2014 and due on December 31, 2014, along with interest into 9.0% senior unsecured convertible debentures of the Company in the principal amount of \$3,055 (the "Loan Debentures"). The aggregate interest accrued at the end June 30, 2014 and June 30, 2015 was \$46 and \$9 respectively.

Convertible Debentures

On January 15, 2014, the Company completed the issuance of \$27,509 principal amount of convertible unsecured debentures to Sentient, pursuant to a Loan Conversion and Debenture Exchange Agreement dated November 29, 2013 (the "9% January 2014 convertible debentures").

Pursuant to the terms of the Agreement, Sentient (i) converted the unsecured interest-bearing debt facility in the aggregate principal amount \$10,000, dated February 6, 2013, as amended, due on January 15, 2014, along with interest of \$388 thereon, into new debentures (the "Debentures") of the Company; and (ii) exchanged its aggregate principal amount of \$16,300 outstanding debentures (the "Sentient Outstanding Debentures") issued pursuant to the Debenture Purchase Agreement along with interest of \$822 thereon, for new Debentures.

Each \$1,000 face value Debenture was convertible, at the option of Sentient, into common shares or Chess Depositary Interests ("CDIs") of the Company at a conversion price of C\$0.02 per common share or CDI. The conversion price of the Debentures will be adjusted in the event there is a reorganisation of capital or an issue of new shares at below the conversion price. The Debentures mature on June 30, 2016 and bear interest at a rate of 9% per annum, which interest shall be satisfied through the issuance of additional Debentures. Interest was payable in semi-annual instalments on April 30 and October 30 in each year, commencing April 30, 2014. On April 30, 2014, the Company has issued \$721 in principal amount of convertible unsecured debentures to satisfy the first interest instalment payment due.

On July 15, 2014, the Company completed an additional issuance of \$10,195 principal amount of Debentures to Sentient pursuant to the Agreement dated June 2, 2014, between the Company (together with its wholly-owned subsidiaries Yandera Mining Company Limited and Marengo Mining (PNG) Limited), and Sentient (the "9% July 2014 convertible debentures"). The Company had: (i) converted the unsecured interest-bearing debt facility with Sentient, along with interest into 9.0% senior unsecured convertible debentures of the Company in the principal amount of \$3,055; and (ii) issued and sold to Sentient 9.0% senior unsecured convertible debentures of the Company in the principal amount of \$7,000 (the "Investment Debentures").

In connection with the transaction, the Company also paid to Sentient an establishment fee of 2% of the amount of Investment Debentures, which fee was satisfied by the Company through the issuance of \$140 principal amount of 9% senior unsecured convertible debentures (the "Establishment Fee Debentures", and together with the Loan Debentures and the Investment Debentures, (the "Debentures"). In aggregate, the Company incurred \$334 of financing costs directly attributable to this transaction which have been netted against the liability balance.

The Debentures mature on June 30, 2016 (the "Maturity Date") and bear interest from and including the date of issuance at the rate of 9% per annum, payable on maturity date. Interest payable on the Debentures will be paid by the Company through the issuance of additional debentures (the "Interest Debentures") which will be issued in substantially the same terms as the Debentures.

The Debentures and Interest Debentures were convertible, at the option of Sentient, into common shares or CDIs of the Company at a conversion price of C\$0.015 per common share or CDI. The conversion price of the Debentures and Interest Debentures will be adjusted in the event there is a reorganisation of capital or an issue of new common shares below the conversion price. The fair value, net of direct costs of the convertible debentures issued on July 15, 2014 was \$5,213.

The transaction completed on July 15, 2014 resulted in a substantial modification of the terms of an existing convertible unsecured debentures issued on January 15, 2014. The conversion price was reduced from C\$0.02 to C\$0.015 and the maturity date of the loan dated April 29, 2014 was amended from December 31, 2014 to June 30, 2016. The modified terms significantly changed the discounted present value of cash flows. As a result, the existing debentures were extinguished in the amount of \$17,478 and new fair value of the convertible debentures in the amount of \$14,936 was recognized.

On December 18, 2014, the Company completed the issuance of \$7,500 principal amount of convertible unsecured debentures, (the "9% December 2014 Debentures") to Sentient pursuant to the Agreement dated November 14, 2014, between the Company (together with its wholly-owned subsidiaries Yandera Mining Company Limited and Marengo Mining (PNG) Limited), and Sentient.

The December Debentures mature on June 30, 2017 and bear interest from and including the date of issuance at the rate of 9% per annum, payable on maturity date.

The December Debentures are convertible, at the option of Sentient, into common shares or CDIs of the Company at a conversion price of C\$0.01 per common share or CDI. The conversion price of all Debentures will be adjusted in the event there is a reorganisation of capital or an issue of new common shares below the conversion price.

The conversion price of all existing outstanding debentures of the Company held by Sentient pursuant to the terms of prior debenture financings between the Company and Sentient completed earlier this year were also adjusted to C\$0.01 per common share or CDI.

Consistent with the Company's accounting policy, the convertible debentures were initially measured at fair value, net of direct expenses, then subsequently at amortized cost. The fair value, net of direct costs of the convertible debentures issued on December 18, 2014 was \$5,039. The total accretion for the year ended June 30, 2015 amounted to \$958 resulting in the closing balance of \$5,997 as at June 30, 2015.

The transaction completed on December 18, 2014 further contributed to a substantial modifications of the terms of the existing convertible debentures issued on January 15, 2014 and July 15, 2014. The conversion prices were reduced from

C\$0.015 to C\$0.01. The modified terms significantly change the discounted present value of cash flows. As a result, the existing debentures were extinguished and new fair values of the convertible debentures were recognized as follows:

For the convertible debentures issued on January 15, 2014, the new fair of \$21,337 was recognized and the existing balance of \$19,130 was extinguished. In aggregate, the total amounts resulting from the revaluations completed on July 15, 2014 and December 18, 2014 were \$36,273 for initial recognition measured at fair value and \$36,608 relating to extinguishment. The total accretion for the year ended June 30, 2015 amounted to \$8,218 resulting in the closing balance of \$25,105 as at June 30, 2015.

For the convertible debentures issued on July 15, 2014, the new fair value of \$7,579 was recognized and existing balance of \$6,777 was extinguished. The total accretion for the year ended June 30, 2015 amounted to \$2,918 resulting in the closing balance of \$8,933 as at June 30, 2015.

The total cumulative financing costs on the convertible debentures recognized and expensed in the consolidated statements of loss and comprehensive loss were \$12,696 for the year ended June 30, 2015 (June 30, 2014 - \$6,339).

(12) DERIVATIVE FINANCIAL INSTRUMENT

The embedded derivative conversion option feature contained in the debentures is valued using a Black-Scholes model. The risk free interest rate used in the fair value computation is the interest rate on Canadian marketable security bond with maturity similar to the remaining life of the 9% Convertible Debentures. Volatility is calculated based on the weekly volatility of our share price observable on the Toronto Stock Exchange market for a historical period equal to the remaining life of the Convertible Debentures.

As of June 30, 2015, the fair value of the derivative liability was \$9,650 (June 30, 2014 - \$14,581). The Company recorded a gain of \$11,428 resulting from the fair value measurement (June 30, 2014 \$1,578 loss). The movement in fair value results from fluctuations and inputs used to determine the fair value at each reporting period, the most significant of which are the Company's share price, volatility and life of the options.

A summary of the derivative liability activities relating to additions, reductions and changes resulting from the fair value measurement for the years ended June 30, 2015 and June 30, 2014 respectively are as follows:

	At June 30,	
	2015	2014
Opening Balance	14,581	611
Additions to derivative liability during the year	27,991	13,921
Reductions of derivative liability during the year	(13,550)	(217)
Fair value loss (gain) for the year	(19,372)	266
Closing Balance	9,650	14,581

The fair value gain of \$19,372 is partially offset by the fair value loss resulting from extinguishment of the debt on July 15 and December 18, 2014 respectively by \$7,944 resulting in a net fair value gain (other income) of \$11,428 for the year ended June 30, 2015.

The fair value loss in the prior year is increased by the fair value loss resulting from extinguishment of the debt on January 15, 2014 by \$1,312 resulting in a net fair value loss (other loss) of \$1,578 for the year ended June 30, 2014.

Inputs used to determine the fair value on June 30, 2015, December 18, 2014, July 15, 2014 and June 30, 2014 were as follows:

	June 30, 2015	December 18, 2014	July 15, 2014	June 30, 2014
9% Convertible Debentures				
Risk free interest rate	0.49%	1.00%	1.09%	1.09%
Volatility	166%	140%	156%	156%
Remaining life (years) for January and July debentures	1 and 2	1 and 2	1.5	1

(13) SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares with one vote per share and no par value per share.

There were no common shares issued during the year ended June 30, 2015 and June 30, 2014.

Share capital outstanding at June 30, 2015 and June 30, 2014 was 1,137,870,521 common shares.

(14) WARRANTS AND OPTIONS
Warrants

There were no new warrants issued, exercised or expired during the year ended June 30, 2015. Warrants expired during the year ended June 30, 2014 totalled to 56,710,780. The Company had no warrants outstanding at the end of June 30, 2015 or June 30, 2014.

Options

The Company maintains a stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors, or consultants of the Company, options to acquire common shares under the terms as determined by the Board of Directors or such committee.

As of June 30, 2015, the Company had 45,393,526 remaining reserved options under the plan with 56,893,526 maximum allowed.

Options granted carry no dividend or voting rights. Options granted to directors and senior management vest as follows: 1/3 on grant, 1/3 on first anniversary of grant and 1/3 on second anniversary of grant. All other options granted to employees and consultants vest immediately.

The following table reflects stock options activity under the Plan for the years ended June 30, 2015 and 2014.

	Number of Stock Options	Weighted Average Exercise Price- C\$
Balance, July 1, 2013	10,000,000	0.35
Expired	(350,000)	0.45
Forfeited	(7,900,000)	0.14
Balance, June 30, 2014	1,750,000	0.22
Granted	11,000,000	0.015
Expired	(800,000)	0.24
Forfeited	(450,000)	0.20
Balance, June 30, 2015	11,500,000	0.02
Exercisable, June 30, 2015	4,166,667	0.04

The fair value of option grants is estimated at the grant dates using the Black-Scholes option-pricing model. Options granted during year ended June 30, 2015 totalled 11,000,000 with an average exercise price of C\$0.015 per share and expiry date of five years from the date of grant. There were no option grants during the year ended June 30, 2014.

Fair values of options granted during the year ended June 30, 2015 were based on the weighted average assumptions noted in the following table:

Grant	2015
Exercise price	C\$0.015
Risk-free interest rate	1.48%
Annualized expected volatility	157%
Expected life of options	5
Dividend rate	0%
Forfeiture rate	0%
Value per option	C\$0.014

Performance Rights

The Company maintains a performance rights plan under which the Board of Directors, or a committee appointed for such purpose, may grant rights to employees, officers, directors, or consultants of the Company to acquire common shares under the terms as determined by the Board of Directors or such committee. The 6,800,000 of performance rights outstanding at the end of June 30, 2014 consisted of performance rights "B", 5,000,000 and performance rights "A", 1,800,000. Performance rights "A" vest at the earlier of when a decision to mine is made or when the Company's market capitalization reaches \$400 million. Performance rights "B" vest upon the satisfaction of the following conditions; (i) obtaining project financing for the Yandera Project, (ii) 50% completion of the construction of the Yandera Project, and (iii) first production from the Yandera Project.

The following table reflects the continuity of performance rights for the years ended June 30, 2015 and 2014.

	Number of Performance Rights	Weighted Average Exercise Price- C\$
Balance, July 1, 2013	45,600,000	0.00
Expired	-	-
Forfeited	(38,800,000)	0.00
Balance, June 30, 2014	6,800,000	0.00
Expired	-	-
Forfeited	(6,800,000)	0.00
Balance, June 30, 2015	-	-

The forfeiture of performance rights is mainly due to closure of the Company's Perth office and the resulting staff terminations.

The following table summarizes incentive stock options outstanding at June 30, 2015:

Exercise price	Outstanding			Exercisable	
	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options	Weighted average exercise price
A\$0.22	50,000		0.3	50,000	
A\$0.32	75,000		0.7	75,000	
A\$0.19	50,000		1.4	50,000	
A\$0.24	75,000		1.7	75,000	
C\$0.13	250,000		2.7	250,000	
C\$0.015	11,000,000		4.1	3,666,667	
Total Options	11,500,000			4,166,667	C\$0.04

Share-Based Compensation

Share-based compensation expense resulted in a net expense amount of \$5 comprised of \$86 expense amount reduced by \$81 recovery amount for the year ended June 30, 2015, (June 30, 2014 - \$761 recovery). Share-based compensation recovery resulted from unvested forfeited options and performance rights previously issued and forfeited during the current period.

(15) COMMITMENTS AND CONTINGENCIES

The Company has certain commitments to meet the minimum expenditure requirements on its mineral exploration assets it has interest in.

The Perth office in Australia represented a significant lease commitment in the prior years. The lease expired during the year ended June 30, 2014 and the office was closed. Most of the other operating lease commitments relating to premises in Papua New Guinea have also expired during the year ended June 30, 2014 and have not been renewed. These premises are currently leased on a month-to-month contract basis except for one annual lease with the remaining term of less than one

year.

The Company had no contingent liabilities as at June 30, 2015 and 2014.

Future minimum payments under the agreements as at June 30, 2015 are as follows:

	Less than 1 year	1 - 5 years	Total
Lease commitments	34	-	34
Exploration commitments	76	152	228
Total	110	152	262

(16) RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel are defined as members of the Board of Directors and senior officers.

Key management compensation was:

	For the years ended June 30,	
	2015	2014
Salaries, wages and other benefits	1,081	1,346
Severances ⁽¹⁾	667	1,709
Share-based compensation	5	-
Total	1,753	3,055

⁽¹⁾ The severances result from changes in executive management.

Other Related Party Transactions

(a) Transactions with Sentient

The Company had entered into a convertible debenture transaction and a loan facility agreement with its major shareholder, Sentient. Details of these transactions are described in the Note 11 above.

(17) INCOME TAXES

As at June 30, 2015, the Company has temporary differences for which no deferred tax asset has been recognized of consolidated non-capital losses of \$59,065 (June 30, 2014 - \$57,633) that expire between 2032 and 2034.

Income tax varies from the amount that would be computed from applying the combined federal and provincial tax rate to accounting loss before taxes as follows:

	2015	2014
Consolidated loss from continuing operations before income taxes	(6,039)	(13,648)
Expected tax recovery at combined statutory rate of 26.5%	(1,600)	(3,617)
Impact of differences between Canada and Australia tax rates	(211)	(478)
Non-deductible expenses:		
Share based payments (recovery)	1	(202)
Other	157	49
Deferred tax benefits not recognized	(1,653)	(4,248)
Total tax expense/(benefit)	1,653	4,248
	-	-

(18) SUPPLEMENTAL CASH FLOW INFORMATION

Changes in working capital for the years ended June 30, 2015 and 2014 are as follows:

	2015	2014
Decrease in receivables and other current assets	66	639
Decrease in trade and other payables	(247)	(325)
Decrease in provisions	(477)	(377)
Total changes in working capital	(658)	(63)

(19) RISK MANAGEMENT

The Company's exposure to market risk includes, but is not limited to, the following risks:

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The 9% Convertible Debentures with Sentient bear interest at a fixed rate and are not subject to changes in interest payments. The short term investments are held at highly-rated financial institutions and earn guaranteed fixed interest rate and thus are not subject to significant changes in interest payments.

Foreign Currency Exchange Rate Risk

Currency risk is risk that the fair value of future cash flows will fluctuate because of changes in foreign currency exchange rates. In addition, the value of cash and cash equivalents and other financial assets and liabilities denominated in foreign currencies can fluctuate with changes in currency exchange rates.

The Company undertakes transactions denominated in foreign currencies such as Canadian dollar, Australian dollar and Papua New Guinea kina, and consequently is exposed to exchange rate risks. Exchange risks are managed by matching levels of foreign currency balances and related obligations and by maintaining operating cash accounts in non-US dollar currencies. The rate published by the Bank of Canada at the close of business on June 30, 2015 was 1.2490 USD to CAD, 0.7655 AUD to USD and 0.3534 PGK to USD. (June 30, 2014 - 1.0671 USD to CAD, 0.9419 AUD to USD and 0.4031 PGK to USD). Based on the balances on June 30, 2015, total loss would change by approximately \$17 given a 5% increase or decrease in the CAD, AUD and PGK currencies to USD dollar.

As at June 30, 2015, the cash and cash equivalents and short term investments are denominated in the following currencies:

	As at June 30,	
	2015	2014
Denominated in U.S. dollars	4,395	217
Denominated in Canadian dollars	304	140
Denominated in Australian dollar	69	97
Denominated in Papua New Guinea kina	111	66
Total cash and cash equivalents and short term investments	4,879	520

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our credit risk is primarily associated with liquid financial assets. We limit exposure to credit risk on liquid financial assets by holding our cash and cash equivalents, short term investments and restricted cash at highly-rated financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages the liquidity risk inherent in these financial obligations by regularly monitoring actual cash flows to annual budget which forecast cash needs and expected cash availability to meet future obligations. The financing transactions completed on July 15 and December 18 in 2014, respectively improved the liquidity position of the Company.

The Company will defer discretionary expenditures, as required, in order to manage and conserve cash required for current liabilities.

The following table shows the Company's contractual obligations as at June 30, 2015:

US\$'000	Less than	1 - 2 years	2 - 5 years	Total
As at June 30, 2015	1 year			
Trade and other payables	1,749	-	-	1,749
Provisions	186	-	-	186
Derivative financial instrument	9,650	-	-	9,650
Loans and borrowings	34,038	5,997	-	40,035
	45,623	5,997	-	51,620

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern, so that adequate funds are available or are scheduled to be raised to carry out the Company's exploration program and to meet its ongoing administrative and operating costs and obligations. This is achieved by the Board of Directors' review and ultimate approval of budgets that are achievable within existing resources, and the timely matching and release of the next stage of expenditures with the resources made available from capital raisings and debt funding from related or other parties. In doing so, the Company may issue new shares, restructure or issue new debt.

The Company is not subject to any externally imposed capital requirements imposed by a regulator or a lending institution.

In the management of capital, the Company includes the components of equity, loans and borrowings, other current liabilities, net of cash and cash equivalents.

	As at June 30,	
	2015	2014
Equity	98,280	124,389
Current debt and liabilities	45,623	20,692
Long term debt	5,997	17,222
	149,900	162,303
Cash and cash equivalents	(4,831)	(421)
Short term investments ⁽¹⁾	(48)	(99)
	145,021	161,783

⁽¹⁾ At the end of June 30, 2015, the Company set aside \$48 (June 30, 2014 - \$99) as a restricted cash in term deposits relating to the bank guarantees with a third party supplier.

(20) FINANCIAL INSTRUMENTS

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. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure the fair value.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable either directly or indirectly

Level 3 – Inputs that are not based on observable market data

Valuation technique that is used to measure the fair value is described in note 2 (j).

The following table illustrates the Company's financial instruments measured at fair value on a recurring basis and their classification within the fair value hierarchy as at June 30, 2015 and June 30, 2014:

As at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial liabilities			
Fair value through profit or loss:			
Derivative financial instrument	-	9,650	-
	-	9,650	-
As at June 30, 2014			
Financial liabilities			
Fair value through profit or loss:			
Derivative financial instrument	-	14,581	-
	-	14,581	-

Fair Values of Financial Assets and Liabilities not Measured at Fair Value

	As at June 30, 2015		As at June 30, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	4,831	4,831	421	421
Short term investments	48	48	99	99
Receivables and other current assets	252	252	318	318
	<u>5,131</u>	<u>5,131</u>	<u>838</u>	<u>838</u>
Financial liabilities				
Trade and other payables	1,749	1,749	2,402	2,402
Loans and borrowings	40,035	40,035	20,268	20,268
	<u>41,784</u>	<u>41,784</u>	<u>22,670</u>	<u>22,670</u>

The carrying values of the above financial instruments approximate their fair values. The fair value estimates are within level 2 of the fair value hierarchy.

(21) OPERATIONS BY SEGMENT AND GEOGRAPHIC AREA

The Company operates in one reportable segment, being the exploration, evaluation and development of mineral properties. The Company's development property is located in one geographic area, being Papua New Guinea.

(22) SUBSEQUENT EVENTS

On August 11, 2015, the Company announced that it had requested approval to delist from POMSoX. Subject to POMSoX approval, the Company expects that trading in Marengo's Port Moresby Stock Exchange Electronic Trading System ("PETS") PDIs will be suspended on POMSoX on around close of trading on October 19, 2015.