



**COPPER STRIKE LIMITED**

**ABN 16 108 398 983**

**ANNUAL REPORT**

**30 JUNE 2018**

**Copper Strike Limited**

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**30 June 2018**

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**Copper Strike Limited**  
**Corporate directory**  
**30 June 2018**

Directors	Mark Hanlon (Non-Executive Chairman) Brendan Jesser (Non-Executive Director) Harry Hatch (Non-Executive Director)
Company secretary	Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne Victoria 3205 Telephone: +61 3 9692 7222
Principal place of business	Level 4 100 Albert Road South Melbourne Victoria 3205 Telephone: +61 3 9692 7222
Share register	Security Transfer Registrars Pty Ltd Alexandra House Suite 1, 770 Canning Highway Applecross WA 6153 Telephone: 1300 992 916
Auditor	Grant Thornton Audit Pty Ltd Tower 1, Collins Square 727 Collins Street Melbourne Victoria 3008
Stock exchange listing	Copper Strike Limited shares are listed on the Australian Securities Exchange (ASX code: CSE)
Website	<a href="http://www.copperstrike.com.au">www.copperstrike.com.au</a>
Corporate Governance Statement	The Company's 2018 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at <a href="http://copperstrike.com.au/corporate-governance">http://copperstrike.com.au/corporate-governance</a>

**Copper Strike Limited**  
**Directors' report**  
**30 June 2018**

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2018.

**Directors**

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Mark Hanlon (Non-Executive Chairman)  
Mr Brendan Jesser (Non-Executive Director)  
Mr Harry Hatch (Non-Executive Director)

**Principal activities**

During the financial year the principal continuing activities of the company consisted of:

- Reviewing potential exploration and development resource acquisitions and management of the Company's investments.

**Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Review of operations**

The loss for the company after providing for income tax amounted to \$283,198 (30 June 2017: \$180,906).

**Financial Position**

The net assets of the entity increased by \$357,421 to \$24,453,312 as at 30 June 2018 (30 June 2017: \$24,095,891). The main reason for the increase this financial year is due to the revaluation increment of \$640,619 (net of deferred tax) attributable to the value of financial assets held.

The entity's working capital, being current assets less current liabilities decreased by \$3,966,183 to a deficiency of \$3,472,681 (30 June 2017: surplus of \$493,502). The main reason for the decrease is due to the loan entered into this financial year for \$4,160,183.

The funds received from the loan were primarily used to participate in the Syrah Resources Limited rights issue.

The Directors believe the entity is in a strong and stable position to expand and grow its current operations.

Copper Strike owns 12.047 million shares in Syrah Resources Limited, which is a holding of 4.05%.

Copper Strike believes that the share price of Syrah continues to have considerable upside, as Syrah continues with ramp up production of flake and fines graphite at the Balama Project. In addition, any announcements by Syrah in relation to its dealings with its offtake partners and other stakeholders may provide significant share price momentum. As such the directors are of the view that it is in shareholders' best interests for the Company to continue to hold this investment to ensure that the potential upside in relation to the development of the world class Balama Project is reflected within the Syrah share price.

**Significant changes in the state of affairs**

Copper Strike took up 100% of its retail entitlement in the Syrah Resources pro-rata accelerated Non-Renounceable Entitlement Offer. The entitlement was 1,047,619 new shares at \$3.38 per share.

In order to fund the entitlement, the Company entered into a Loan Agreement whereby the Company received an initial advance of \$3.55 million with the loan secured by the provision of 1,800,000 Syrah shares. A further advance of approximately \$572,000 was received which covers payment of interest and fees for the term of the loan.

There were no other significant changes in the state of affairs of the company during the financial year.

**Matters subsequent to the end of the financial year**

As at the 30 of August 2018, the fair value of investments held by the company amounts to \$32,272,110, which is a loss of \$2,817,158 from the value held at 30 June 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Copper Strike Limited**  
**Directors' report**  
**30 June 2018**

**Likely developments and expected results of operations**

The entity's main corporate focus in the coming periods is to seek to complete a transaction which could effectively utilise the entity's assets and expertise in mineral exploration. No such transaction is planned that will dilute Copper Strike shareholders' leverage to Syrah Resources Limited and its excellent Balama Graphite Project in Mozambique.

**Environmental regulation**

The company currently has no exploration interests, however it had previously held participating interests in a number of mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the Company's environmental conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2018.

**Information on directors**

Name: Mr Mark Hanlon  
Title: Non-Executive Chairman  
Experience and expertise: Mark has over ten years of experience in the resources and resource services sector as well as over ten years' experience in commercial and merchant banking. He has a broad background of senior executive experience across a wide range of industries including mining, mining services, electricity distribution, electronics contract manufacturing, paper & packaging and insurance. He has most recently been the Finance Director of ENK plc and previously held the position or equivalent position of CFO with listed companies such as Century Drilling and International Contract Manufacturing Limited. Mark is currently a Director of Rusina Mining NL and Company Secretary of VU Group Pty Ltd. He holds a Bachelor of Business in Finance and Accounting and a Master of Business in Banking and Finance.

Other current directorships: Red River Resources Limited (appointed 1 October 2015), Echo Resources Limited (appointed 3 January 2017)

Former directorships (last 3 years): Strandline Resources Limited (resigned 1 March 2016)

Special responsibilities: None

Interests in shares: 2,013,567 fully paid ordinary shares

Name: Mr Brendan Jesser  
Title: Non-Executive Director  
Experience and expertise: Brendan has over 16 years' experience in direct financial markets, stockbroking and corporate advisory, and has supported numerous listed and unlisted mining and industrial entities by providing both capital and corporate advisory services.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: None

Interests in shares: 400,000 fully paid ordinary shares

Name: Mr Harry Hatch  
Title: Non-Executive Director  
Experience and expertise: Harry has been involved in the real estate market since the early 1980's in buying and developing properties worldwide. He has also been involved in the stock markets in Australia and overseas for more than 25 years, and has been appointed to several board positions over the years. Harry currently runs a mid-size Therapeutics Business with over 100 staff, of which he has been Managing Director for over 30 years.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: None

Interests in shares: 23,093,353 fully paid ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

**Copper Strike Limited**  
**Directors' report**  
**30 June 2018**

**Company secretary**

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Mark Hanlon	8	8
Mr Brendan Jesser	8	8
Mr Harry Hatch	2	8

Held: represents the number of meetings held during the time the director held office.

**Remuneration report (audited)**

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the entity and company.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

**Copper Strike Limited**  
**Directors' report**  
**30 June 2018**

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

*Executive remuneration*

The entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the entity and adds additional value to the executive.

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

The long-term incentives ('LTI') includes long service leave.

*Voting and comments made at the company's 2017 Annual General Meeting ('AGM')*

The company received 99% of 'for' votes in relation to its remuneration report for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

*Amounts of remuneration*

Details of the remuneration of key management personnel of the company are set out in the following tables.

*Rounding of amounts*

Copper Strike Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

**Copper Strike Limited**  
**Directors' report**  
**30 June 2018**

2018	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Annual leave	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>							
Mr B Jesser	30,000	-	-	2,850	-	-	32,850
Mr M Hanlon	30,000	-	-	2,850	-	-	32,850
Mr H Hatch	32,850	-	-	-	-	-	32,850
<i>Other Key Management Personnel:</i>							
Ms M Leydin *	60,000	-	-	-	-	-	60,000
	<u>152,850</u>	<u>-</u>	<u>-</u>	<u>5,700</u>	<u>-</u>	<u>-</u>	<u>158,550</u>

\* Fees paid to Leydin Freyer Corp Pty Ltd in respect of Company Secretarial and Accounting services.

2017	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	
<i>Non-Executive Directors:</i>							
Mr B Jesser	30,000	-	-	2,850	-	-	32,850
Mr M Hanlon	30,000	-	-	2,850	-	-	32,850
Mr H Hatch**	26,798	-	-	-	-	-	26,798
Mr T Eadie***	8,182	-	-	777	-	-	8,959
<i>Other Key Management Personnel:</i>							
Ms M Leydin *	60,000	-	-	-	-	-	60,000
	<u>154,980</u>	<u>-</u>	<u>-</u>	<u>6,477</u>	<u>-</u>	<u>-</u>	<u>161,457</u>

\* Fees paid to Leydin Freyer Corp Pty Ltd in respect of Company Secretarial and Accounting services.

\*\* Harry Hatch was appointed as a Non-Executive Director on 6 September 2016

\*\*\* Tom Eadie resigned as Non-Executive Chairman on 6 September 2016

**Service agreements**

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

**Share-based compensation**

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

**Copper Strike Limited**  
**Directors' report**  
**30 June 2018**

**Additional information**

The earnings of the company for the five years to 30 June 2018 are summarised below:

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Revenue and other income	5,926	8,070	593,527	196,240	101,013
Net profit/(loss) before tax	(404,568)	(258,437)	238,230	(191,256)	(1,492,908)
Net profit/(loss) after tax	(283,198)	(180,906)	166,636	(135,904)	(1,045,115)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2018	2017	2016	2015	2014
Share price at financial year beginning (\$)	0.19	0.31	0.23	0.26	0.15
Share price at financial year end (\$)	0.19	0.19	0.31	0.23	0.26
Basic earnings per share (cents per share)	(0.27)	(0.17)	0.16	(0.13)	(0.98)

**Additional disclosures relating to key management personnel**

**Shareholding**

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Mr B Jesser	400,000	-	-	-	400,000
Mr M Hanlon	2,013,567	-	-	-	2,013,567
Mr H Hatch	21,796,275	-	1,292,488	-	23,088,763
	<u>24,209,842</u>	<u>-</u>	<u>1,292,488</u>	<u>-</u>	<u>25,502,330</u>

***This concludes the remuneration report, which has been audited.***

**Indemnity and insurance of officers**

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

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

**Indemnity and insurance of auditor**

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**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.

**Non-audit services**

There were no non-audit services provided during the financial year by the auditor.

**Officers of the company who are former partners of Grant Thornton Audit Pty Ltd**

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

**Copper Strike Limited**  
**Directors' report**  
**30 June 2018**

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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Mark Hanlon  
Non-Executive Chairman

31 August 2018  
Melbourne

## Auditor's Independence Declaration

### To the Directors of Copper Strike Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Copper Strike Limited for the year ended 30 June 2018, 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 Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner - Audit & Assurance

Melbourne, 31 August 2018

**Copper Strike Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

	Note	2018 \$	2017 \$
<b>Revenue</b>	5	5,926	8,070
<b>Expenses</b>			
Other expenses		(117,751)	(104,463)
Employee benefits expense		(159,291)	(162,044)
Finance costs	6	<u>(133,452)</u>	<u>-</u>
<b>Loss before income tax benefit</b>		(404,568)	(258,437)
Income tax benefit	7	<u>121,370</u>	<u>77,531</u>
<b>Loss after income tax benefit for the year attributable to the owners of Copper Strike Limited</b>		(283,198)	(180,906)
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain / (loss) on the revaluation of available-for-sale financial assets, net of tax		<u>640,619</u>	<u>(24,632,042)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>640,619</u>	<u>(24,632,042)</u>
<b>Total comprehensive income/(loss) for the year attributable to the owners of Copper Strike Limited</b>		<u><u>357,421</u></u>	<u><u>(24,812,948)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	29	(0.27)	(0.17)
Diluted earnings per share	29	(0.27)	(0.17)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Copper Strike Limited**  
**Statement of financial position**  
**As at 30 June 2018**

	Note	2018 \$	2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	714,848	510,622
Trade and other receivables	9	5,652	7,483
Other	10	2,026	1,378
Total current assets		<u>722,526</u>	<u>519,483</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	11	35,089,268	30,599,320
Deferred tax	12	2,020,583	1,905,425
Other non-current assets	13	5,180	18,492
Total non-current assets		<u>37,115,031</u>	<u>32,523,237</u>
<b>Total assets</b>		<u>37,837,557</u>	<u>33,042,720</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	35,024	25,981
Borrowings	15	4,160,183	-
Total current liabilities		<u>4,195,207</u>	<u>25,981</u>
<b>Non-current liabilities</b>			
Deferred tax	16	9,189,038	8,920,848
Total non-current liabilities		<u>9,189,038</u>	<u>8,920,848</u>
<b>Total liabilities</b>		<u>13,384,245</u>	<u>8,946,829</u>
<b>Net assets</b>		<u>24,453,312</u>	<u>24,095,891</u>
<b>Equity</b>			
Issued capital	17	11,221,853	11,221,853
Reserves	18	20,143,761	19,503,142
Accumulated losses		(6,912,302)	(6,629,104)
<b>Total equity</b>		<u>24,453,312</u>	<u>24,095,891</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Copper Strike Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2018**

	<b>Contributed equity \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2016	11,221,853	44,135,184	(6,448,198)	48,908,839
Loss after income tax benefit for the year	-	-	(180,906)	(180,906)
Other comprehensive loss for the year, net of tax	-	(24,632,042)	-	(24,632,042)
Total comprehensive loss for the year	-	(24,632,042)	(180,906)	(24,812,948)
Balance at 30 June 2017	<u>11,221,853</u>	<u>19,503,142</u>	<u>(6,629,104)</u>	<u>24,095,891</u>
	<b>Contributed equity \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2017	11,221,853	19,503,142	(6,629,104)	24,095,891
Loss after income tax benefit for the year	-	-	(283,198)	(283,198)
Other comprehensive income for the year, net of tax	-	640,619	-	640,619
Total comprehensive income/(loss) for the year	-	640,619	(283,198)	357,421
Balance at 30 June 2018	<u>11,221,853</u>	<u>20,143,761</u>	<u>(6,912,302)</u>	<u>24,453,312</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Copper Strike Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers (inclusive of GST)		(266,817)	(257,754)
Net cash used in operating activities	28	(266,817)	(257,754)
<b>Cash flows from investing activities</b>			
Purchase of additional shares in Strandline Resources Limited		(33,974)	(33,974)
Purchase of additional shares in Syrah Resources Limited		(3,540,952)	-
Return of security deposits paid previously		13,312	-
Net cash used in investing activities		(3,561,614)	(33,974)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,121,530	-
Interest paid		(94,799)	-
Interest received		5,926	1,355
Net cash from financing activities		4,032,657	1,355
Net increase/(decrease) in cash and cash equivalents		204,226	(290,373)
Cash and cash equivalents at the beginning of the financial year		510,622	800,995
Cash and cash equivalents at the end of the financial year	8	<u>714,848</u>	<u>510,622</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Copper Strike Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 1. General information**

The financial statements cover Copper Strike Limited as an individual entity. The financial statements are presented in Australian dollars, which is Copper Strike Limited's functional and presentation currency.

Copper Strike Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4  
100 Albert Road  
South Melbourne  
VIC 3205  
Australia

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2018. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

None of these Accounting Standards and Interpretations had a material effect.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a 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.

**Note 2. Significant accounting policies (continued)**

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

**Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

**Note 2. Significant accounting policies (continued)**

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

*Impairment of financial assets*

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2018. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. For the company there will be no material impact on the carrying values. Changes in fair value are expected to continue being recorded through OCI, with the one-time election to record equity investments as such expected to be undertaken by the directors.

**Note 2. Significant accounting policies (continued)**

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The company has adopted this standard from 1 July 2018, with no material impact from adoption as there are no contracts with customers.

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The company will adopt this standard from 1 July 2019 but no material impact is expected as no leases currently held by the company.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Income tax*

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**Note 4. Operating segments**

Identification of reportable operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

*Accounting policy for operating segments*

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The CODM reviews the Company as a whole in the business segment of mineral exploration.

**Note 5. Revenue**

	2018 \$	2017 \$
Interest revenue - bank deposits	<u>5,926</u>	<u>8,070</u>

**Note 6. Expenses**

	2018 \$	2017 \$
Loss before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest expense	94,795	-
Origination fee	<u>38,657</u>	<u>-</u>
Total finance costs	<u>133,452</u>	<u>-</u>

The above finance costs relate to the loan as disclosed in Note 15.

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**Note 7. Income tax benefit**

	2018 \$	2017 \$
<i>Income tax benefit</i>		
Current tax	(118,045)	(78,763)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	<u>(3,325)</u>	<u>1,232</u>
Aggregate income tax benefit	<u><u>(121,370)</u></u>	<u><u>(77,531)</u></u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	<u>(404,568)</u>	<u>(258,437)</u>
Tax at the statutory tax rate of 30%	<u>(121,370)</u>	<u>(77,531)</u>
Income tax benefit	<u><u>(121,370)</u></u>	<u><u>(77,531)</u></u>

Deferred tax balances were recognised for the first time in the year ended 30 June 2012 due to the likely capital gains tax payable in relation to the entity's investment in Syrah Resources Limited (ASX Code: SYR). The deferred tax balances continue to be recognised as at 30 June 2018.

During the financial year ended 30 June 2018 the entity recorded a revaluation increment on the investments of \$915,022 (30 June 2017: revaluation decrement of \$35,154,658).

As at 30 June 2018, there was unrealised capital losses of \$17,600 and unrealised capital gains of \$30,630,125. The capital gains tax payable on the disposal of all the assets, before applying the capital losses, would be \$9,189,038 (30 June 2017: \$8,920,848) and a deferred tax liability therefore has been recognised.

A deferred tax asset of \$2,020,583 (30 June 2017: \$1,905,426), predominantly made up of \$2,005,987 in tax losses has also been recognised.

The tax effect of any movements to the revaluation reserve are recognised directly against the reserve. All other movements are recognised through the profit and loss via income tax expense. The income tax benefit for the year representing current and deferred tax adjustments is \$121,370 (2017: \$77,531).

**Note 8. Current assets - cash and cash equivalents**

	2018 \$	2017 \$
Cash at bank	714,848	375,030
Cash on deposit	<u>-</u>	<u>135,592</u>
	<u><u>714,848</u></u>	<u><u>510,622</u></u>

*Accounting policy for cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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 an insignificant risk of changes in value.

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**Note 9. Current assets - trade and other receivables**

	2018 \$	2017 \$
Other receivables	-	672
GST receivable	5,652	6,811
	<u>5,652</u>	<u>7,483</u>

No receivables have been impaired or provided for as at 30 June 2018.

*Accounting policy for trade and other receivables*

Other receivables are recognised at amortised cost, less any provision for impairment.

**Note 10. Current assets - other**

	2018 \$	2017 \$
Prepayments	<u>2,026</u>	<u>1,378</u>

**Note 11. Non-current assets - available-for-sale financial assets**

	2018 \$	2017 \$
Ordinary shares in Strandline Resources Limited	257,635	122,306
Ordinary shares in Syrah Resources Limited	34,817,633	30,470,014
Ordinary shares in Superior Resources Limited	14,000	7,000
	<u>35,089,268</u>	<u>30,599,320</u>

*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	30,599,320	65,753,978
Additions	3,574,926	-
Revaluation increments/(decrements)	<u>915,022</u>	<u>(35,154,658)</u>
Closing fair value	<u>35,089,268</u>	<u>30,599,320</u>

Refer to note 21 for further information on fair value measurement.

Financial assets available for sale for Syrah Resources Limited, Superior Resources Limited and Strandline Resources Limited are ordinary shares in listed companies. These have been valued at the quoted prices at accordance with AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities.

AASB 13 'Fair Value Measurement' requires disclosure of fair value measurements by level of the fair value heirarchy, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**Note 12. Non-current assets - deferred tax**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	2,005,987	1,887,942
Impairment of receivables	5,280	5,280
Exploration expenditure	3,239	3,239
Accrued expenses	5,650	2,850
Superannuation payable	427	-
	<u>2,020,583</u>	<u>1,899,311</u>
Amounts recognised in equity:		
Impairment	-	6,114
Deferred tax asset	<u>2,020,583</u>	<u>1,905,425</u>
<i>Movements:</i>		
Opening balance	1,905,425	1,835,824
Recognised in profit and loss	121,273	75,715
Recognised in equity	(6,115)	(6,114)
Closing balance	<u>2,020,583</u>	<u>1,905,425</u>

**Note 13. Non-current assets - Other non-current assets**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Deposits paid	<u>5,180</u>	<u>18,492</u>

**Note 14. Current liabilities - trade and other payables**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade payables	<u>35,024</u>	<u>25,981</u>

Refer to note 20 for further information on financial instruments.

*Accounting policy for trade and other payables*

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Note 15. Current liabilities - borrowings**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Secured loans	<u>4,160,183</u>	<u>-</u>

Refer to note 20 for further information on financial instruments.

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**Note 15. Current liabilities - borrowings (continued)**

The above borrowing is secured over 1.8 million Syrah shares. The loan is repayable after 2 years, with a fixed annual interest of 2.99% and includes origination fee of 2.50% expensed across the life of the loan.

*Accounting policy for borrowings*

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

**Note 16. Non-current liabilities - deferred tax**

	2018 \$	2017 \$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Interest receivable	-	201
Amounts recognised in equity:		
Investments	9,189,038	8,920,647
Deferred tax liability	<u>9,189,038</u>	<u>8,920,848</u>
<i>Movements:</i>		
Opening balance	8,920,848	19,485,366
Recognised in profit or loss	(201)	(1,813)
Recognised in equity (revaluation of available for sale assets)	268,391	(10,562,705)
Closing balance	<u>9,189,038</u>	<u>8,920,848</u>

Refer to Note 7 for further information regarding the recognition of the above deferred tax liability.

**Note 17. Equity - issued capital**

	2018 Shares	2017 Shares	2018 \$	2017 \$
Ordinary shares - fully paid	<u>106,844,810</u>	<u>106,844,810</u>	<u>11,221,853</u>	<u>11,221,853</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

The entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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**Note 17. Equity - issued capital (continued)**

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

*Accounting policy for issued capital*

Ordinary shares are classified as equity.

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

**Note 18. Equity - reserves**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Available-for-sale reserve	<u>20,143,761</u>	<u>19,503,142</u>

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

	Available- for-sale \$	Total \$
Balance at 1 July 2016	44,135,184	44,135,184
Revaluation of available for sale investments	(35,194,747)	(35,194,747)
Deferred tax	10,562,705	10,562,705
Balance at 30 June 2017	19,503,142	19,503,142
Revaluation of available for sale investments	915,022	915,022
Deferred tax	(274,403)	(274,403)
Balance at 30 June 2018	<u>20,143,761</u>	<u>20,143,761</u>

**Note 19. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Note 20. Financial instruments**

***Financial risk management objectives***

The entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Board. The policies employed to mitigate risk include identification and analysis of the risk exposure of the entity and appropriate procedures, controls and risk limits. The Board identifies risk and evaluates the effectiveness of its responses.

**Note 20. Financial instruments (continued)**

**Market risk**

*Price risk*

The entity is exposed to significant price risk in relation to its investment in Syrah Resources Limited.

2018	% change	Average price increase	Effect on equity	% change	Average price decrease	Effect on equity
		Effect on profit before tax			Effect on profit before tax	
Investment in ordinary shares	50%	-	10,735,667	50%	-	(10,735,667)

  

2017	% change	Average price increase	Effect on equity	% change	Average price decrease	Effect on equity
		Effect on profit before tax			Effect on profit before tax	
Investment in ordinary shares	50%	-	15,299,660	50%	-	(15,299,660)

*Interest rate risk*

The entity's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

	2018		2017	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank overdraft and bank loans	0.37%	714,848	1.05%	510,622
Net exposure to cash flow interest rate risk		714,848		510,622

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash and cash equivalents for the 2018 financial year (2017: 50 basis points). The impact would not be material on bank balances held at 30 June 2018. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

2018	Basis points change	Basis points increase		Basis points decrease	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Cash and cash equivalents	50	750	750	750	750

  

2017	Basis points change	Basis points increase		Basis points decrease	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Cash and cash equivalents	50	2,553	2,553	(2,553)	(2,553)

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**Note 20. Financial instruments (continued)**

**Credit risk**

Credit risk is managed on a entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity has minimal exposure to credit risk as its only receivables relate to security deposits, interest receivable, rent receivable, and GST refunds due.

**Liquidity risk**

Vigilant liquidity risk management requires the entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The entity's working capital, being current assets less current liabilities was a deficiency of \$3,472,681 at 30 June 2018 (30 June 2017: surplus \$493,502). During the period the entity had positive net cash flows of \$204,226 (30 June 2017: negative net cash flows of \$290,373).

The working capital deficiency is mainly due to borrowings entered into during the 2018 financial year. The borrowings are secured over shares held by the entity, which are sufficient to meet amounts payable over the borrowings.

Based on this the directors are satisfied that the entity will have sufficient funds to pay its debts as and when they fall due.

**Remaining contractual maturities**

The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>2018</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	35,024	-	-	-	35,024
Other loans	2.99%	126,398	4,153,129	-	-	4,279,527
Total non-derivatives		<u>161,422</u>	<u>4,153,129</u>	<u>-</u>	<u>-</u>	<u>4,314,551</u>

<b>2017</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	25,981	-	-	-	25,981
Total non-derivatives		<u>25,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,981</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

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**Note 21. Fair value measurement**

*Accounting policy for fair value measurement*

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Note 22. Key management personnel disclosures**

*Directors*

The following persons were directors of Copper Strike Limited during the financial year:

Mr M Hanlon  
 Mr B Jesser  
 Mr H Hatch

*Other key management personnel*

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the company, directly or indirectly, during the financial year:

Ms M Leydin

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	152,850	154,980
Post-employment benefits	5,700	6,477
	<u>158,550</u>	<u>161,457</u>

The aggregate compensation includes fees paid to Leydin Freyer Corp Pty Ltd in respect of Company Secretarial and Accounting Services. Ms M Leydin is director and principal of that Company.

**Note 23. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>31,000</u>	<u>29,500</u>

**Copper Strike Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 24. Contingent liabilities**

	2018 \$	2017 \$
Bank guarantees	<u>327,500</u>	<u>327,500</u>

The above balance relates to the overall bank guarantee facility with ANZ. As at 30 June 2018, the amount remaining on this facility is \$65,962 (2017: \$89,910). The Company is currently in the process of releasing the remaining guarantees, at which point the overall facility will be closed.

**Note 25. Commitments**

As at 30 June 2018 the Company does not have any commitments for expenditure on Exploration tenements.

**Note 26. Related party transactions**

*Parent entity*

Copper Strike Limited is the parent entity.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

*Transactions with related parties*

There were no transactions with related parties during the current and previous financial year.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

**Note 27. Events after the reporting period**

As at the 30 of August 2018, the fair value of investments held by the company amounts to \$32,272,110, which is a loss of \$2,817,158 from the value held at 30 June 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Copper Strike Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 28. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax benefit for the year	(283,198)	(180,906)
Adjustments for:		
Tax effect on revaluation of available for sale assets taken to equity	-	(7,987)
Interest revenue recognised through finance cashflows	(5,926)	(1,355)
Interest expense recognised through finance cashflows	133,452	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,830	2,305
Increase in deferred tax assets	(121,370)	(69,601)
Decrease/(increase) in prepayments	(648)	26
Increase/(decrease) in trade and other payables	9,043	(236)
Net cash used in operating activities	<u>(266,817)</u>	<u>(257,754)</u>

**Note 29. Earnings per share**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Copper Strike Limited	<u>(283,198)</u>	<u>(180,906)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>106,844,810</u>	<u>106,844,810</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>106,844,810</u>	<u>106,844,810</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.27)	(0.17)
Diluted earnings per share	(0.27)	(0.17)

The Group does not currently have any options on issue, or other dilutive items as at 30 June 2018.

*Accounting policy for earnings per share*

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Copper Strike Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

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

**Copper Strike Limited**  
**Directors' declaration**  
**30 June 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Mark Hanlon  
Non-Executive Chairman

31 August 2018  
Melbourne

# Independent Auditor's Report

## To the Members of Copper Strike Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Copper Strike Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company 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 financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Investments (Note 11)</b>	
<p>Copper Strike owns equity investments in several listed entities. They are financial assets classified as available-for-sale (AFS), and consequently all movements in the fair value of these shares are recognised in equity reserves.</p> <p>Risks exist over correctly valuing equity investments at fair value, and the accounting treatment of fair value movements.</p> <p>This area is primarily a key audit matter as investments are the most significant asset on Copper Strike's balance sheet. The prices of these investments have fluctuated in recent years, therefore fair value assessments of these investments need to consider the depth of the market as at year end.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Agreeing share prices at 30 June 2018 to the Australian Stock Exchange (ASX);</li> <li>• Assessing the ability to realise investments at current share prices, giving consideration to the depth of the trading market;</li> <li>• Verifying the number of shares held at 30 June 2018 to holding statements;</li> <li>• Testing the mathematical accuracy of the fair value valuation; and</li> <li>• Evaluating the compliance of the classification of the investments and recording of movements in fair value with applicable Australian Accounting Standards.</li> </ul>
<b>Loan Liability (Note 15)</b>	
<p>Copper Strike entered into a loan agreement during the year to finance the purchase of additional equity investments. Existing equity investments were transferred to the loan provider as security.</p> <p>There is a risk that the terms and conditions of the loan agreement and associated transactions have not been appropriately evaluated, interpreted and recorded in line with Australian Accounting Standards.</p> <p>This area is a key audit matter due to complexities around the accounting treatment for the initial recognition of the loan and associated transactions.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining the signed loan agreement and documenting the key terms;</li> <li>• Assessing the accounting treatment of the loan balance, origination fee and equity investments transferred as security; and</li> <li>• Assessing compliance of related disclosures with applicable Australian Accounting Standards.</li> </ul>

## Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/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 the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Copper Strike Limited, for the year ended 30 June 2018 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 Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner – Audit & Assurance

Melbourne 31 August 2018

**Copper Strike Limited**  
**Shareholder information**  
**30 June 2018**

The shareholder information set out below was applicable as at 24 August 2018.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

	<b>Number of holders of ordinary shares</b>
1 to 1,000	138
1,001 to 5,000	252
5,001 to 10,000	177
10,001 to 100,000	319
100,001 and over	78
	<hr/>
	964
	<hr/> <hr/>
Holding less than a marketable parcel	283
	<hr/> <hr/>

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	<b>Ordinary shares % of total shares issued</b>
	<b>Number held</b>
Gasmere Pty Ltd	23,093,353
McCrohan Kevin Richard	12,462,410
BNP Paribas Nom Pty Ltd (IB AU Noms RetailC)	9,315,728
Hydronomees Pty Ltd (Hydro-Chem S/F A/C)	4,813,000
Prince Raymond John (R J Prince Retire)	3,025,000
A-Line Retirement Fund Pty Ltd (A-Line Retirement Fund)	3,000,000
Berden Pty Ltd (A-Line Partitions)	3,000,000
ACN 167 523 659 Pty Ltd (Thomas Eadie Super)	2,581,714
HM Pensions Pty Ltd (Mark Super A/C)	2,250,000
Feltrim Pastoral Co Pty Ltd (Staughton Exec S/F)	2,068,933
Buprestid Pty Ltd (Hanlon Family S/F A/C)	2,013,567
HSBC Custody Nominees Australia Limited	1,933,116
Feltrim Pastoral Co Pty Ltd (Simon Staughton FA)	1,760,000
Keybridge Capital Ltd	1,685,666
Aurora Funds Mgnt Ltd (HHY A/C)	1,500,964
Borland David R + J A (Borland S/F A/C)	1,374,060
Marson Const Pty Ltd (Marson Retirement Plan)	1,132,592
T&C Landrigan Pty Ltd (T&C Landrigan Super)	1,000,000
Swift Julie Field & M T (Swift Super Fund)	950,000
Barker Bruce G + W A (Barker Retirement Fund)	750,000
	<hr/>
	79,710,103
	<hr/> <hr/>
	74.61

*Unquoted equity securities*

There are no unquoted equity securities.

**Copper Strike Limited**  
**Shareholder information**  
**30 June 2018**

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
Gasmere Pty Ltd	23,093,353	21.61
McCrohan Kevin Richard	12,462,410	11.66
BNP Paribas Nom Pty Ltd (IB AU Noms RetailC)	9,315,728	8.72

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.