


drake resources

ABN 12 108 560 069

# ANNUAL REPORT
# 30 JUNE 2018

# Corporate directory

## Current Directors

| | |
|---|---|
| Sara Kelly | *Non-executive Chairman* |
| Ariel (Eddie) King | *Non-executive Director* |
| James Scovell | *Non-executive Director* |
| David Wheeler | *Non-executive Director* |

## Company Secretary

Julia Beckett

## Registered Office

| | |
|---|---|
| Street: | Suite 12, Level 1 |
| | 11 Ventnor Avenue |
| | West Perth WA 6005 |
| Postal: | PO Box 1240 |
| | West Perth WA 6872 |
| Telephone: | +61 (0)8 6245 2057 |
| Facsimile: | +61 (0)8 6245 2055 |
| Email: | info@drakeresources.com.au |
| Website: | www.drakeresources.com.au |

## Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERTH WA 6000

| | |
|---|---|
| Telephone: | 1300 850 505 (investors within Australia) |
| Telephone: | +61 (0)3 9415 4000 |
| Email: | web.queries@computershare.com.au |
| Website: | www.investorcentre.com |

## Securities Exchange

Australian Securities Exchange
Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000

| | |
|---|---|
| Telephone: | 131 ASX (131 279) (within Australia) |
| Telephone: | +61 (0)2 9338 0000 |
| Facsimile: | +61 (0)2 9227 0885 |
| Website: | www.asx.com.au |
| ASX Code | DRK |

## Auditors

Bentleys
London House
Level 3, 216 St Georges Terrace
Perth WA 6000

| | |
|---|---|
| Telephone: | +61 (0)8 9226 4500 |
| Facsimile: | +61 (0)8 9226 4300 |
| Website: | www.bentleys.com.au |

## Contents

# Activities Report

**Existing Projects**

Drake's subsidiary, Drake Sweden AB was notified that it was successful in its application for Berga Nr1, enlarging its position adjacent to the Tullsta nr 2 and Tullsta nr 6 licences as part of the Granmuren Project District.

Drake has engaged Geolithic Geological Services to complete a geological review of the Granmuren-Bergslagen Project in Sweden. Geolithic has been engaged to compile data from various supplied sources and commence a review of the geological information with the aim of determining the extent of nickel sulphide mineralisation and economic potential of the project.

Geolithic Director, Neil Hutchison is an exploration/mining geologist with over 25 years' experience working in Australia and overseas. He has a track record of discovery, resource/reserve definition, project development, evaluations and acquisitions. Neil has extensive experience in gold, cobalt, copper, lithium, nickel, uranium and vanadium. Neil has specialised in nickel sulphide exploration for more than 15 years, being an integral team leader resulting in discoveries at the Cosmos, Mt Windarra, Lake Johnstone and the Black Swan Nickel Projects in Western Australia. Neil and his exploration team have defined over 500,000 tonnes of nickel in JORC resources through discovery, acquisitions and geological reinterpretation.

Granmuren is Drake's greenfield nickel, copper, cobalt discovery in the Bergslagen district of Sweden, which has a long and significant mining history dating back more than 1,000 years. Recently, Bergslagen has been recognized as a prospective region highlighted by the discovery of extensions to the historic Garpenberg Zn-Cu-Pb-Au-Ag system by Boliden.

The Granmuren deposit is located within the Tullsta permits near Sala (Figure 1), 110km NW of Stockholm. Granmuren is situated 50km from the world class Garpenberg Mine and 5km from the historic Sala Mine. The Sala townsite area has exceptional infrastructure and is serviced with nearby power, road and rail with direct rail links to smelters in Sweden, Finland and Norway.

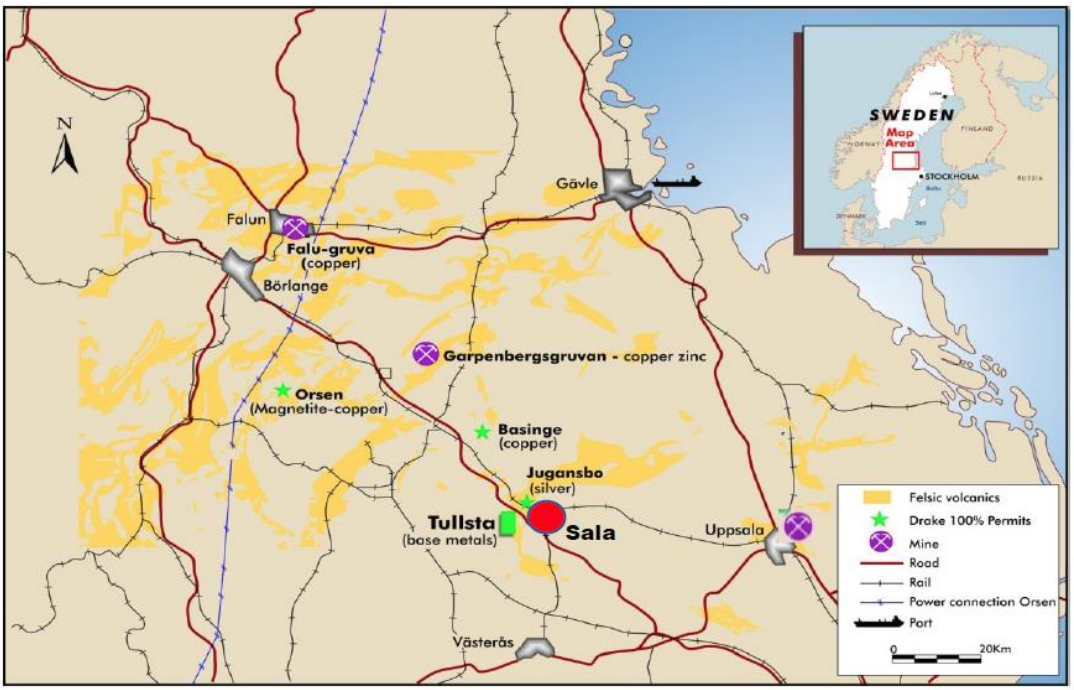


Figure 1.

Between 2012 and 2013, the Company completed nine diamond core holes at Granmuren, with all intersections occurring from near surface to a depth of 350m of surface. Mineralization at Granmuren is classified as a Proterozoic intrusive "Voisey's Bay Style" of mineralization, a substantial intrusion of massive and disseminated sulphides, mainly pyrrhotite, pentlandite (nickel-iron sulphide) and chalcopyrite (copper-iron sulphide) hosted in gabbros and norites. Granmuren mineralization occurs from near surface. Mineralization has been traced over 330m in strike length and remains open at depth.

As part of the review, Geolithic confirms that Drake previously used regional gravity and magnetic survey data sets to define areas of interest which displayed favorable geophysical anomalies. In addition, Drake previously flew a helicopter-borne VTEM (Versatile Time-Domain Electro-Magnetic) survey of the licences. Analysis and modelling of the VTEM data had identified various anomalies within the Tullsta tenure.

Detailed work by Drake geophysicists identified that pyrrhotite is generally magnetic and hence rocks containing abundant pyrrhotite have a distinctive magnetic signature. The pyrrhotite-bearing gabbro is also dense which contrasts with the non-mineralised host rocks. Therefore, magnetic and gravity measurements provide useful data to model the distributions of rocks which are anomalously magnetic and dense.

The 3D modelling of the gravity and magnetics data indicates the presence of a substantial body of dense, magnetic material below depth of the current drilling that has the characteristics of additional nickel-copper mineralization at depth (Figure 2). It strikes for over 400m and plunges westwards at depth into the Tullsta nr 2 licence

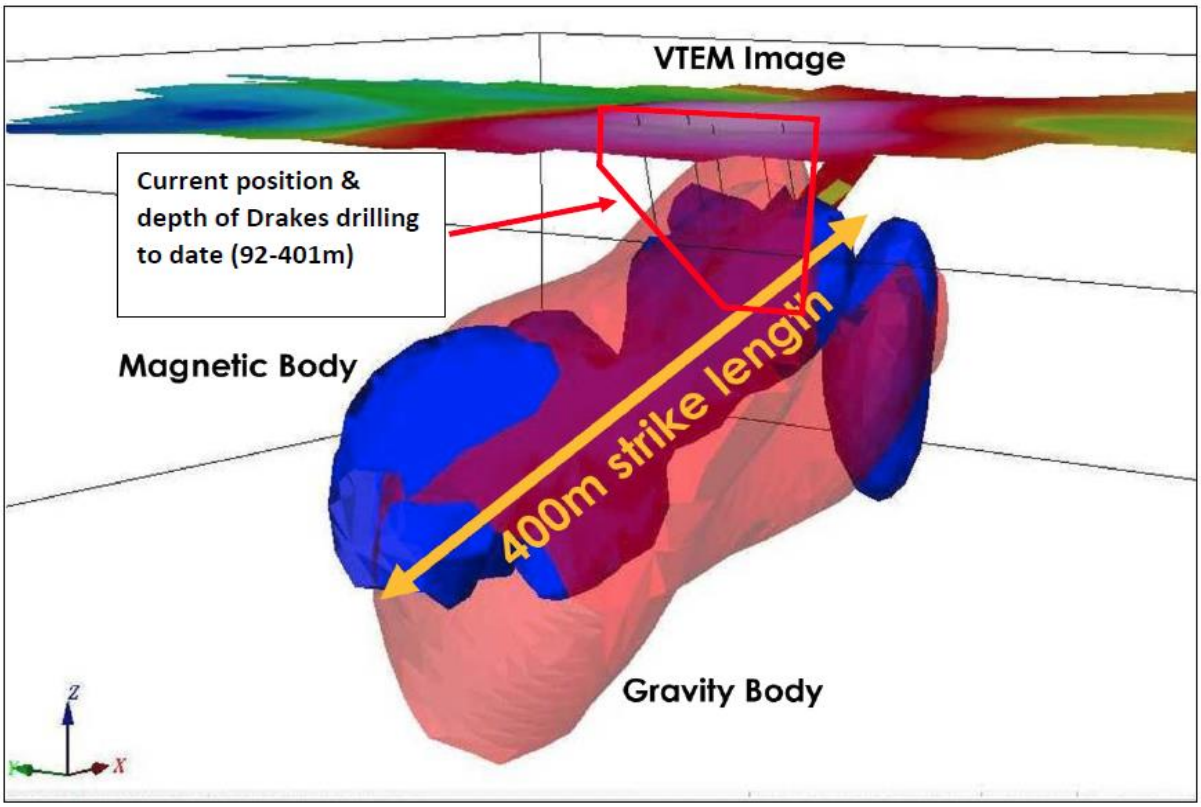


Figure 2: 3D model of the magnetic body (blue and claret) and gravity body (pink) for the Granmuren Ni-Cu prospect; the body is approximately 400 meters in length and plunging westwards at depth into the Tullsta nr 2 licence

**2018/2019 Field Work Program**

With the assistance of GeoVista, Geolithic will conduct a site visit at Granmuren to perform initial exploration activities with the goal of confirming drill targets as first indicated by geological modelling of previous data. The field work conducted will also verify rock units, core re-logging and geological mapping. In addition, Geolithic will forward historical data to external consultants for further analysis, for example, geochemical analysis and Leapfrog Software modelling on Granmuren mineralization. Geophysical data previously collected and processed will be revisited. These layers of work will refine the target drilling area and will significant enhance drill planning.

# Directors' report

Your Directors present their report together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2018.

## 1. Directors

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

- Ms Sara Kelly — Non-executive Chairman *(Appointed on 1 June 2017)*
- Mr Ariel (Eddie) King — Non-executive Director *(Appointed on 10 February 2017)*
- Mr James Scovell — Non-executive Director *(Appointed on 1 June 2017)*
- Mr David Wheeler — Non-executive Director *(Appointed on 4 December 2017)*
- Mr Jay Stephenson — Non-executive Director *(Appointed on 31 March 2005 / resigned 1 December 2017)*

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

## 2. Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

- Ms Julia Beckett

Qualifications
- Ms Beckett holds a Certificate in Governance Practice and Administration and is a Certificated Member of the Governance Institute of Australia.

Experience
- Ms Beckett is a Corporate Governance professional, having worked in corporate administration and compliance for the past 11 years. She has been involved in business acquisitions, mergers, initial public offerings, capital raisings as well as statutory and financial reporting. Ms Beckett is also Company Secretary of Calidus Resources Limited (ASX: CAI) European Metals Holdings Limited (ASX & AIM: EMH) and Doriemus Plc (Joint) (ASX: DOR) and has held non-executive director roles for a number of ASX listed companies.

## 3. Principal Activities

The principal activities of the Group during the financial year were the exploration and evaluation of its projects in Scandinavia.

## 4. Operating Results

The consolidated loss for the year amounted to $1,148,945 (2017: $1,675,443).

## 5. Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2018.

## 6. Operating and financial review

6.1. Nature of Operations Principal Activities

6.2. Operations Review (refer Operations review of page 1)

A detailed review of the Group's exploration activities is set out in the section titled "Activities Report" in this annual report.

6.3. Financial Review

a. Operating results

For the 2018 financial year the Group delivered a loss before tax of $1,148,945 (2017: $1,675,443 loss), representing a reduction in expenditure.

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

b. Financial position

The net assets of the Group have increased from 30 June 2017 by $756,326 to $1,548,409 at 30 June 2018 (2017: $792,083).

As at 30 June 2018, the Group's cash and cash equivalents increased from 30 June 2017 by $878,796 to $1,402,964 at 30 June 2018 (2017: $524,168) and had working capital of $1,318,310 (2017: $342,893 working capital), as in Note 24.

# Directors' report

## 7. Significant Changes in State of Affairs

Following the successful recapitalisation by the Company, Drake was reinstated to official quotation on 2 November 2017.

## 8. Events Subsequent to Reporting Date

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 23 Events subsequent to reporting date.

## 9. Future Developments, Prospects and Business Strategies

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

# Directors' report

## 10. Information relating to the directors

| | |
|---|---|
| **Ms Sara Kelly** | Non-executive Chairman *(Appointed as Non-executive Chairman on 2 July 2018, Ms Kelly was appointed Non-executive Director on 1 June 2017)* |
| Qualifications | Bachelor of Law and Bachelor of Commerce |
| Experience | Ms Kelly is a corporate lawyer and Partner at Edwards Mac Scovell Legal (a Perth based law firm). Ms Kelly has significant transactional and industry experience having both worked in private practice as a corporate advisor and as in house counsel. Ms Kelly's experience includes the administration of regulatory frameworks and processes in a listed company environment, acquisitions, takeovers, capital raisings and listing of companies on ASX and AIM. |
| Interest in Shares and Options | 2,541,580 ordinary shares in Drake Resources Limited and options to acquire a further 8,000,000 ordinary shares. |
| Directorships held in other listed entities in the past three years | N/A |
| **Mr Ariel Eddie King** | Non-executive Director *(Appointed 10 February 2017)* |
| Qualifications | Bachelor of Commerce and Bachelor of Engineering |
| Experience | Mr King is a qualified Mining Engineer. Mr King holds a Bachelor of Commerce and Bachelor of Engineering from The University of Western Australia and is currently a Representative for CPS Capital. Mr King's past experience includes being Manager for an investment banking firm, where he specialised in the technical and financial requirements of bulk commodity and other resource projects. |
| Interest in Shares and Options | 1,500,000 ordinary shares in Drake Resources Limited and options to acquire a further 2,100,000 ordinary shares. |
| Directorships held in other listed entities in the past three years | Mr King also acts as a director of Bowen Coking Coal Limited (ASX: BCB), Eastern Iron Limited (ASX: EFE), Axxis Technology Group Ltd (ASX: AYG), European Cobalt Limited (ASX: EUC), Pure Minerals Limited (ASX: PM1), Six Sigma Metals Limited (ASX: SI6) and Sultan Resources Limited (ASX: SLZ). He was a former director of Lindian Resources Limited (ASX: LIN). |
| **Mr James Scovell** | Non-executive Director *(Appointed 1 June 2017)* |
| Qualifications | Bachelor of Law |

## Directors' report

| | |
|---|---|
| Experience | Mr Scovell is a corporate lawyer with over 15 years' experience. James is a member of the Western Australian Bar Association (WABA). He achieved his Bachelor of Law from the University of Western Australia.<br>Mr Scovell currently practices from Francis Burt Chambers where he acts for a broad range of clients, including ASX listed entities and financial institutions. He notably represented Andrew Forrest from 2006 to 2012 in relation to a high profile case regarding director's duties and disclosure obligations. Mr Scovell's work primarily involves providing practical, commercial legal advice for clients. This includes matters involving corporate and personal insolvency, commercial law, corporations, disciplinary tribunals, equity, insurance, professional negligence, property law, taxation, and trade practices. |
| Interest in Shares and Options | Options in Drake Resources Limited to acquire 5,000,000 ordinary shares. |
| Directorships held in other listed entities in the past three years | N/A |
| **Mr David Wheeler** | Non-executive Director *(Appointed 4 December 2017)* |
| Qualifications | Fellow of the Australian Institute of Company Directors |
| Experience | Mr Wheeler has more than 30 years of Executive Management Directorship and Corporate Advisory experience. He is a foundation Director and Partner of Pathways Corporate, a boutique corporate advisory firm that undertakes assignments on behalf of family offices, private clients and ASX listed companies. Mr Wheeler has successfully engaged in business projects in the USA, UK, Europe, NZ, China, Malaysia, Singapore and the Middle East. Mr Wheeler is a Fellow of the Australian Institute of Company Directors and serves on public and private company boards currently holding a number of Directorships and Advisory positions in Australian ASX listed companies. |
| Interest in Shares and Options | Options in Drake Resources Limited to acquire 2,000,000 ordinary shares. |
| Directorships held in other listed entities in the past three years | Mr Wheeler also acts as a director of Antilles Oil and Gas NL (ASX: AVD), Protean Energy Ltd (ASX: POW), Thred Limited (ASX: THD), Ultracharge Ltd (ASX: UTR) and Eneabba Gas Ltd (ASX: UTR). He was a former director Castillo Copper Limited (ASX: CCZ), AusMex Mining Group Ltd (ASX: AMG), Weststart Industrial Limited (ASX: WSI), 333D Limited (ASX: T3D), Auscann Group Holdings Ltd (ASX: AC8), The Carajas Copper Company Ltd (renamed: Valor Resoures Limited - ASX: VAL) and Premiere Eastern Energy Limited (delisted). |
| **Mr Jay Stephenson** | Non-executive Director (*Appointed on 31 March 2005 / resigned 1 December 2017)* |
| Qualifications | MBA, FCPA, CMA, FCIS, MAICD |
| Experience | Mr Stephenson has been involved in business development for over 25 years, including approximately 21 years as Director, Chief Executive Officer, and Company Secretary of various listed and unlisted entities in resources, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, and business restructuring, as well as managing all areas of finance for companies. |
| Interest in Shares and Options | 1,100,000 ordinary shares in Drake Resources Limited and options to acquire a further 3,500,000 ordinary shares at the date of his resignation. |
| Directorships held in other listed entities in the past three years | Mr Stephenson also holds or has held the following directorships over the past three years: Non-Executive Director of Doray Mining Limited (ASX: DRM), Dragon Mountain Gold Limited (ASX: DMG), Non-Executive Chairman of Auctus Alternative Investments Limited (ASX:AVC), Non-Executive Director of Nickelore Limited (ASX: NIO), Non-Executive Director of Blina Minerals Limited (ASX: BDI) and Non-Executive Director of Strategic Minerals Limited (ASX: SMC). He was a former director of Verilumа Limited (ASX: VRI), Bubs Australia Limited (ASX: BUB), and Condor Blanco Mines Limited (ASX: CBD). |

# Directors' report

## 11. Meetings of directors and committees

During the financial year five meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

| | DIRECTORS' MEETINGS | | AUDIT COMMITTEE | | NOMINATION COMMITTEE | | REMUNERATION COMMITTEE | | FINANCE AND OPERATIONS COMMITTEE | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended |
| Sara Kelly | 5 | 5 | *At the date of this report, the Remuneration, Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.* | | | | | | | |
| Eddie King | 5 | 5 | | | | | | | | |
| James Scovell | 5 | 5 | | | | | | | | |
| David Wheeler | 4 | 4 | | | | | | | | |
| Jay Stephenson | 1 | 1 | | | | | | | | |

## 12. Indemnifying Officers or Auditor

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the company to pay all damages and costs which may be awarded against the Directors.
- The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium in 2018 was $24,920 (2017: $12,100).
- No indemnity has been paid in respect of auditors.

## 13. Options

### 13.1. Unissued shares under option

At the date of this report, the un-issued ordinary shares of Drake Resources Limited under option (listed and unlisted) are as follows:

| Grant Date | Date of Expiry | Exercise Price | Number under Option |
|---|---|---|---|
| 4 May 2017 | 4 May 2021 | $0.03 | 14,000,000 |
| 8 June 2017 | 8 June 2021 | $0.02 | 35,000,001 |
| 8 June 2017 | 8 June 2021 | $0.03 | 2,000,000 |
| 13 June 2017 | 13 June 2021 | $0.02 | 17,500,000 |
| 19 March 2018 | 8 June 2021 | $0.025 | 25,000,000 |
| | | | 93,500,001 |

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

# Directors' report

13.2. Shares issued on exercise of options

No ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the financial year.

## 14. Environmental Regulations

The Group's operations are not subject to significant environmental regulations in the jurisdictions it operates in, namely Australia.

## 15. Non-audit services

During the year, Bentleys, the Company's auditor, performed tax consulting services to the company. These services amounted to $1,650 (2017: $2,500). Details of remuneration paid to the auditor can be found within the financial statements at Note 5 Auditor's Remuneration.

In the event that non-audit services are provided by Bentleys, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

## 16. Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## 17. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2018 has been received and can be found on page 14 of the annual report.

## 18. Remuneration report (audited)

18.1. Key management personnel (**KMP**)

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP comprise the directors of the Company and key executive personnel:

- Ms Sara Kelly *(Appointed 1 June 2017)*
- Mr Ariel (Eddie) King *(Appointed 10 February 2017)*
- Mr James Scovell *(Appointed 1 June 2017)*
- Mr David Wheeler *(Appointed 4 December 2017)*
- Mr Jay Stephenson *(Appointed 31 March 2005 / Resigned 1 December 2017)*

18.2. Remuneration Policy

The remuneration policy of Drake Resources Limited has been designed to align director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Drake Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Remuneration Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, options and performance incentives. The Remuneration Committee reviews executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

## Directors' report

- Executives are also entitled to participate in the employee share and option arrangements.
- All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options given to Directors and employees are valued using the Black-Scholes methodology.
- The Board's policy is to remunerate Non-Executive Directors at the lower end of market rates for comparable companies for time, commitment, and responsibilities. The Non-Executive Directors have been provided with options that are meant to incentivise the Non-Executive Directors. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and directors' and executives' performance. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

18.3. Remuneration Details for the Year Ended 30 June 2018

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses.

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group:

The term "Key Management Personnel" refers to those persons having authority and responsibility for planning, directing and controlling the activities of the group directly or indirectly including any Director (whether executive or otherwise) of the Group.

A resolution that the remuneration report for the last financial year to be adopted was put to the vote at the Company's most recent AGM, held 29 November 2017 and was passed with 90.88% in favour.

## Remuneration report (audited)

18.4. Directors' and KMP Remuneration

| **2018 – Group** | Short-term benefits | | | Post-employment benefits | Long-term benefits | Termination benefits | Equity-settled share-based payments | | Total | % Share based payments |
|---|---|---|---|---|---|---|---|---|---|---|
| *Group KMP* | Salary, fees and leave | Profit share and bonuses | Other | Super-annuation | Other | | Equity | Options | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | % |
| Sara Kelly | 33,500 | - | - | - | - | - | - | 49,132 | 82,632 | 59% |
| Eddie King | 33,500 | - | - | - | - | - | - | 19,652 | 53,152 | 37% |
| James Scovell | 33,500 | - | - | - | - | - | - | 19,652 | 53,152 | 37% |
| David Wheeler | 21,000 | - | - | - | - | - | - | 19,652 | 40,652 | 48% |
| Jay Stephenson | 12,500 | - | - | - | - | - | - | - | 12,500 | - |
| | 134,000 | - | - | - | - | - | - | 108,088 | 242,088 | |

| **2017 – Group** | Short-term benefits | | | Post-employment benefits | Long-term benefits | Termination benefits | Equity-settled share-based payments | | Total | % Share based payments |
|---|---|---|---|---|---|---|---|---|---|---|
| *Group KMP* | Salary, fees and leave | Profit share and bonuses | Other | Super-annuation | Other | | Equity | Options | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | % |
| Sara Kelly | 2,500 | - | - | - | - | - | - | 15,829 | 18,329 | 86% |
| Eddie King | 2,500 | - | - | - | - | - | - | 3,296 | 5,796 | 57% |
| James Scovell | 2,500 | - | - | - | - | - | - | 15,829 | 18,329 | 86% |
| Brett Fraser [1] | - | - | - | - | - | - | - | 28,254 | 28,254 | 100% |
| Jay Stephenson | 2,500 | - | - | - | - | - | - | 16,482 | 18,982 | 87% |
| Robert Beeson | - | - | - | - | - | - | - | 16,482 | 16,482 | 100% |
| | 10,000 | - | - | - | - | - | - | 112,654 | 122,654 | |

[1] Mr Fraser resigned on the 10 March 2017. Wolfstar Group Pty Ltd, a company controlled by Mr Fraser, provided corporate services to Drake Resources Limited until 30 June 2018. These services were not provided directly by Mr Fraser and have therefore not been included as remuneration. Please refer to Note 18, Related Party Transactions and 18.7 of this remuneration report for further details.

# Directors' report

## Remuneration report (audited)

18.5. Share-based compensation

a. **Director and Key Management Personnel share options**

Share options were granted per the table below to Directors and Key Management Personnel during the year.

b. **Director and Key Management Personnel ordinary shares**

There were no shares granted as remuneration to Directors and Key Management Personnel during the year.

c. **Share-based Payments - Options**

| **2018** | Options Issued No. | Grant Date | Exercise Price $ | Value $ | Value $ | Expiry Date |
|---|---|---|---|---|---|---|
| Sara Kelly | 5,000,000 | 15/03/2018 | 0.025 | 0.00983 | 49,132 | 08/06/2021 |
| Eddie King [1] | 2,000,000 | 15/03/2018 | 0.025 | 0.00983 | 19,652 | 08/06/2021 |
| James Scovell | 2,000,000 | 15/03/2018 | 0.025 | 0.00983 | 19,652 | 08/06/2021 |
| David Wheeler | 2,000,000 | 15/03/2018 | 0.025 | 0.00983 | 19,652 | 08/06/2021 |
| Jay Stephenson | - | - | - | - | - | - |

All options vest immediately.

| **2017** | Options Issued No. | Grant Date | Exercise Price $ | Value $ | Value $ | Expiry Date |
|---|---|---|---|---|---|---|
| Eddie King | 700,000 | 4/05/2017 | 0.03 | 0.0047 | 3,296 | 4/05/2021 |
| James Scovell | 1,000,000 | 8/06/2017 | 0.03 | 0.0048 | 4,769 | 8/06/2021 |
| James Scovell | 2,000,000 | 8/06/2017 | 0.02 | 0.0055 | 11,060 | 8/06/2021 |
| Sara Kelly | 1,000,000 | 8/06/2017 | 0.03 | 0.0048 | 4,769 | 8/06/2021 |
| Sara Kelly | 2,000,000 | 8/06/2017 | 0.02 | 0.0055 | 11,060 | 8/06/2021 |
| Jay Stephenson | 3,500,000 | 4/05/2017 | 0.03 | 0.0047 | 16,482 | 4/05/2021 |
| Brett Fraser | 6,000,000 | 4/05/2017 | 0.03 | 0.0047 | 28,254 | 4/05/2021 |
| Robert Beeson | 3,500,000 | 4/05/2017 | 0.03 | 0.0047 | 16,482 | 4/05/2021 |

All options are exercisable are entitled to 1:1 ordinary shares in Drake Resources Ltd.

All options are exercisable from vesting date to expiry grant.

[1] 600,000 Options were issued to Mr King's nominee.

d. **Description of Options Issued as Remuneration**

Details of the options granted as remuneration to directors are detailed above in table 18.5c Share-based Payments – Options.

# Directors' report

## Remuneration report (audited)

18.6. KMP equity holdings

e. **Fully paid ordinary shares of Drake Resources Limited held by each KMP**

| **2018 – Group**<br>*Group KMP* | Balance at start of year No. | Received during the year as compensation No. | Received during the year on the exercise of options No. | Other changes during the year No. | Balance at end of year No. |
|---|---|---|---|---|---|
| Sara Kelly | 182,666 | - | - | 2,358,914 | 2,541,580 |
| Eddie King | - | - | - | 1,500,000 | 1,500,000 |
| James Scovell | - | - | - | - | - |
| David Wheeler | - | - | - | - | - |
| Jay Stephenson | 101,803 | - | - | 998,197 | 1,100,000 |
| | 284,469 | - | - | 4,857,111 | 5,141,580 |

| **2017 – Group**<br>*Group KMP* | Balance at start of year No. | Received during the year as compensation No. | Received during the year on the exercise of options No. | Other changes during the year No. | Balance at end of year No. |
|---|---|---|---|---|---|
| Sara Kelly | - | - | - | 182,666 | 182,666 |
| Eddie King | - | - | - | - | - |
| James Scovell | - | - | - | 182,666 | 182,666 |
| David Wheeler | - | - | - | - | - |
| Jay Stephenson | 15,270,705 | - | - | (15,253,365) | 17,340 |
| Brett Fraser | 30,160,199 | - | - | (29,959,133) | 201,066 |
| Robert Beeson | 18,195,986 | - | - | (18,074,747) | 121,239 |
| | 63,626,890 | - | - | (62,921,913) | 704,977 |

# Directors' report

## Remuneration report (audited)

f. **Options in Drake Resources Limited held by each KMP**

| **2018 – Group**<br>*Group KMP* | Balance at start of year No. | Granted as Remuneration during the year No. | Exercised during the year No. | Other changes during the year [1] No. | Balance at end of year No. | Vested and Exercisable No. | Not Vested No. |
|---|---|---|---|---|---|---|---|
| Sara Kelly | 3,000,000 | 5,000,000 | - | - | 8,000,000 | 8,000,000 | - |
| Eddie King | 700,000 | 1,400,000 | - | - | 2,100,000 | 2,100,000 | - |
| James Scovell | 3,000,000 | 2,000,000 | - | - | 5,000,000 | 5,000,000 | - |
| David Wheeler | - | 2,000,000 | - | - | 2,000,000 | 2,000,000 | - |
| Jay Stephenson | 3,517,004 | - | - | (17,004) | 3,500,000 | 3,500,000 | - |
| | 10,217,004 | 10,400,000 | - | (17,004) | 20,600,000 | 20,600,000 | - |

| **2017 – Group**<br>*Group KMP* | Balance at start of year No. | Granted as Remuneration during the year No. | Exercised during the year No. | Other changes during the year [1] No. | Balance at end of year No. | Vested and Exercisable No. | Not Vested No. |
|---|---|---|---|---|---|---|---|
| Eddie King | - | 700,000 | - | - | 700,000 | 700,000 | - |
| James Scovell | - | 3,000,000 | - | - | 3,000,000 | 3,000,000 | - |
| Sara Kelly | - | 3,000,000 | - | - | 3,000,000 | 3,000,000 | - |
| Brett Fraser[2] | 10,012,427 | 6,000,000 | - | (9,946,279) | 6,066,148 | 6,066,148 | - |
| Jay Stephenson[2] | 2,550,723 | 3,500,000 | - | (2,553,719) | 3,497,004 | 3,497,004 | - |
| Robert Beeson[2] | 1,907,598 | 3,500,000 | - | (1,894,881) | 3,512,717 | 3,512,717 | - |
| | 14,470,748 | 19,700,000 | - | (14,394,879) | 19,775,869 | 19,775,869 | - |

(1) Other changes during the year relate to options acquisitions, disposals, expiry and issued on director signing.

(2) Granted as remuneration during the year relate to options granted upon director resignation

# Directors' report

## Remuneration report (audited)

18.7. Other Transactions with Key Management Personnel

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| a. | **Wolfstar Group Pty Ltd** | | |
| | Mr Fraser resigned as Non-executive Director of the Company on the 10 March 2017. Mr Fraser is a Director and Shareholder of Wolfstar Group Pty Ltd. Wolfstar Group provided Company Secretarial, Chief Financial Officer and due diligence services to the Group. | - | (166,132) |
| | Outstanding debt forgiven by Wolfstar Group on 26 May 2017 | - | 120,745 |
| | *Note: Positive amounts represent a net reimbursement to Drake Resources from Wolfstar Group Pty Ltd.* | | |
| b. | **Edwards Mac Scovell** | | |
| | Ms Kelly, Non-executive Chairman of the Company is a Partner of Edwards Mac Scovell who provide legal services to the Group. | 72,407 | - |
| c. | **Amounts due to and from Related Parties**: | | |
| | Amounts due (to) Wolfstar Group Pty Ltd | - | (6,630) |
| | Amounts due (to) / from Edwards Mac Scovell | - | - |

***END OF REMUNERATION REPORT***

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors made pursuant to s.298(2) of the Corporation Act 2001.

**SARA KELLY**
Chairman
Dated this 28 September 2018

Bentleys
THINKING AHEAD

**Bentleys Audit & Corporate (WA) Pty Ltd**
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the audit of the financial statements of Drake Resources Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

**BENTLEYS**
**Chartered Accountants**

**MARK DELAURENTIS CA**
**Partner**

Dated at Perth this 28th day of September 2018

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| *Continuing operations* | | | |
| Revenue | 3 | 5,808 | 809 |
| Other income | 3 | 260 | 309,175 |
| | | 6,068 | 309,984 |
| Accounting and audit fees | | (40,366) | (70,531) |
| Computers and software | | (3,850) | (9,850) |
| Depreciation and amortisation | 4a | - | (18) |
| Employee benefits expenses | 4b | (121,250) | (98,311) |
| Contractors and consultants | | (105,369) | (72,000) |
| Finance costs | | (2,634) | (85,766) |
| Impairment | 4c | (413,088) | (923,773) |
| Insurance | | (20,480) | (9,422) |
| Legal fees | | (72,407) | (285,593) |
| Public relations and advertising | | - | (23,754) |
| Registry and ASX fees | | (74,811) | (80,184) |
| Rent and utility expense | | - | (3,093) |
| Share-based payments | 19 | (283,154) | (97,085) |
| Settlement costs | 15 | - | (200,000) |
| Travel and accommodation | | - | (4,139) |
| Other expenses | | (17,604) | (21,908) |
| Loss before tax | | (1,148,945) | (1,675,443) |
| Income tax benefit / (expense) | 6 | - | - |
| **Loss for the period from continuing operations after tax** | | (1,148,945) | (1,675,443) |
| **Net (loss) / profit for the year** | | (1,148,945) | (1,675,443) |
| *Other comprehensive income, net of income tax* | | | |
| • Items that will not be reclassified subsequently to profit or loss | | | - |
| • Items that may be reclassified subsequently to profit or loss | | | |
| ○ Exchange differences on translating foreign operations | | 1,502 | (50,687) |
| **Other comprehensive income for the year, net of income tax** | | 1,502 | (50,687) |
| **Total comprehensive income attributable to members of the parent entity** | | (1,147,443) | (1,726,130) |
| *Earnings per share:* | | ¢ | ¢ |
| • Basic and diluted loss per share (cents per share) | 7 | (0.44) | (11.97) |

*The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.*

## Consolidated statement of financial position

as at 30 June 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| *Current assets* | | | |
| Cash and cash equivalents | 8 | 1,402,964 | 524,168 |
| Trade and other receivables | 9 | 61,890 | 42,605 |
| **Total current assets** | | 1,464,854 | 566,773 |
| *Non-current assets* | | | |
| Plant and equipment | 10 | - | - |
| Exploration and evaluation assets | 11 | 230,099 | 449,190 |
| **Total non-current assets** | | 230,099 | 449,190 |
| **Total assets** | | 1,694,953 | 1,015,963 |
| *Current liabilities* | | | |
| Trade and other payables | 12 | 146,544 | 223,880 |
| **Total current liabilities** | | 146,544 | 223,880 |
| **Total liabilities** | | 146,544 | 223,880 |
| **Net assets** | | 1,548,409 | 792,083 |
| *Equity* | | | |
| Issued capital | 14a | 28,641,237 | 26,983,373 |
| Reserves | 15 | 823,156 | 575,749 |
| Accumulated losses | | (27,915,984) | (26,767,039) |
| **Total equity** | | 1,548,409 | 792,083 |

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

# Consolidated statement of changes in equity

for the year ended 30 June 2018

| | Note | Issued Capital $ | Accumulated Losses $ | Options Reserve $ | Share-based Payments Reserve $ | Foreign Exchange Translation Reserve $ | Total $ |
|---|---|---|---|---|---|---|---|
| *Balance at 1 July 2016* | | 25,677,207 | (25,091,596) | - | 525,944 | 2,907 | 1,114,462 |
| Loss for the year | | - | (1,675,443) | - | - | - | (1,675,443) |
| Other comprehensive income for the year | | - | - | - | - | (50,687) | (50,687) |
| **Total comprehensive income for the year** | | - | (1,675,443) | - | - | (50,687) | (1,726,130) |
| *Transaction with owners, directly in equity* | | | | | | | |
| Shares issued during the year | 14a | 1,306,166 | - | - | - | - | 1,306,166 |
| Transaction costs | | - | - | - | - | - | - |
| Share-based payments not yet issued | | - | - | - | - | - | - |
| Options issued during the year | 16d | - | - | 97,585 | - | - | 97,585 |
| **Balance at 30 June 2017** | | 26,983,373 | (26,767,039) | 97,585 | 525,944 | (47,780) | 792,083 |
| *Balance at 1 July 2017* | | 26,983,373 | (26,767,039) | 97,585 | 525,944 | (47,780) | 792,083 |
| Loss for the year | | - | (1,148,945) | - | - | - | (1,148,945) |
| Other comprehensive income for the year | | - | - | - | - | 1,502 | 1,502 |
| **Total comprehensive income for the year** | | - | (1,148,945) | - | - | 1,502 | (1,147,443) |
| *Transaction with owners, directly in equity* | | | | | | | |
| Shares issued during the year | 14a | 1,787,500 | - | - | - | - | 1,787,500 |
| Transaction costs | | (106,838) | - | - | - | - | (106,838) |
| Share buy-back unmarketable parcels | | (22,798) | - | - | - | | (22,798) |
| Options issued during the year | 16d | - | - | 245,905 | - | - | 245,905 |
| **Balance at 30 June 2018** | | 28,641,237 | (27,915,984) | 343,490 | 525,944 | (46,278) | 1,548,409 |

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

## Consolidated statement of cash flows

for the year ended 30 June 2018

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| *Cash flows from operating activities* | | | |
| Payments to suppliers and employees | | (544,610) | (608,124) |
| Interest and borrowing costs | | - | (2,625) |
| Interest received | | 5,808 | 809 |
| **Net cash used in operating activities** | 8c.i | (538,802) | (609,940) |
| *Cash flows from investing activities* | | | |
| Payments for exploration expenditure | | (202,929) | (29,638) |
| Proceeds on disposal of financial assets | | - | 145,630 |
| **Net cash used in investing activities** | | (202,929) | 115,992 |
| *Cash flows from financing activities* | | | |
| Proceeds from issue of shares | | 1,750,000 | - |
| Proceeds from options | | 250 | - |
| Proceeds from issue of convertible notes | | - | 1,000,000 |
| Payments for convertible note issue costs | | - | (9,000) |
| Repayment of convertible notes | | | (100,000) |
| Payments for shares bought back | | (22,798) | - |
| Payments for capital raising costs | | (106,838) | - |
| **Net cash provided by financing activities** | | 1,620,614 | 891,000 |
| **Net increase in cash held** | | 878,883 | 397,052 |
| Cash and cash equivalents at the beginning of the year | | 524,168 | 127,460 |
| Effect of exchange rates on cash holdings in foreign currencies | | (87) | (344) |
| **Cash and cash equivalents at the end of the year** | 8a | 1,402,964 | 524,168 |

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

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

These are the consolidated financial statements and notes of Drake Resources Limited (**Drake Resources** or **the Company**) and controlled entities (collectively **the Group**). Drake Resources is a company limited by shares, domiciled and incorporated in Australia.

The separate financial statements of Drake Resources, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

The financial statements were authorised for issue on 28 September 2018 by the directors of the Company.

### a. Basis of preparation

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

#### i. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

#### ii. Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

#### iii. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1q.

#### iv. Comparative figures

Where required by AASBs comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

### b. Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods but determined that their application to the financial statements is either not relevant or not material.

### c. Principles of consolidation

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

### i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

***less***

- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

### ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 16 Controlled Entities of the financial statements.

### iii. Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, than such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### iv. Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### d. Exploration and Development Expenditure

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

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

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

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

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

Costs of site restoration are provided over the life of the project, when such costs are incurred or the Group becomes liable for, from when exploration commences and are included in the costs of that stage. Site restoration costs will include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

### e. Exploration and Development Expenditure

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

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

### f. Foreign currency transactions and balances

#### i. Functional and presentation currency

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

#### ii. Transaction and balances

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

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

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

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

### iii. Group companies and foreign operations

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

### g. Taxation

#### i. Income tax

The income tax expense / (income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

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

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items recognised outside profit or loss.

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

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

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

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

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

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return and disclosed as such in Note 6 Income Tax.

#### ii. Value-added taxes

Value-added tax (**VAT**) is the generic term for the broad-based consumption taxes that the Group is exposed to such as: Australia (Goods and Services Tax or **GST**); Sweden (VAT); Finland (VAT) and in Norway (VAT).

# Notes to the consolidated financial statements

for the year ended 30 June 2018



## Note 1 Statement of significant accounting policies

Revenues, expenses, and assets are recognised net of the amount of VAT, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the balance sheet.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### h. Fair Value

#### i. Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

#### ii. Fair value hierarchy

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

| Level 1 | Level 2 | Level 3 |
|---|---|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

#### iii. Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

### i. Non-current assets held for disposal and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversals of impairment recognised on classification as held for sale or prior to such classification are recognised as a gain in profit or loss in the period in which it occurs.

### j. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy 1g) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

### k. Financial instruments

#### i. Initial recognition and measurement

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified on the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### ii. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

#### iii. Classification and Subsequent Measurement

(1) ***Cash and cash equivalents***

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of nine months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the Statement of financial position.

(2) ***Financial assets at fair value through profit and loss***

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(3) ***Loans***

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(4) ***Trade and other receivables***

Receivables are usually settled within 60 days. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Collectability of trade and other receivables are reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment provision is raised for any doubtful amounts (see also 1k.vii).

(5) ***Trade and other payables***

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and stated at their amortised cost. The amounts are unsecured and are generally settled on 30 day terms.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

(6) ***Share capital***

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

iv. **Amortised cost**

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

v. **Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

vi. **Effective interest method**

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

vii. **Impairment**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the income statement.

viii. **Derecognition**

Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

ix. **Finance income and expenses**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

### l. Convertible notes

The component parts of convertible notes issued by the Consolidated Entity are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguishment upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in the profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

### m. Employee benefits

#### i. Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

#### ii. Other long-term benefits

The Group's obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

#### iii. Retirement benefit obligations: Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

#### iv. Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

### v. Equity-settled compensation

The Group operates an employee share ownership scheme. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

### n. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

### o. Revenue and other income

Interest revenue is recognised in accordance with note 1k.ix Finance income and expenses.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

All revenue is stated net of any value added taxes (note 1g.ii).

### p. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### q. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### i. Key Judgments – Exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(b). The carrying value of capitalised expenditure at reporting date is $230,099 (2017: $449,190).

During the financial year, the Group undertook assessment of its tenement assets, as a result of this assessment, the Group decided to impair some of its exploration assets. Refer Note 11.

#### ii. Key Judgments – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

#### iii. Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions. Refer Note 6 Income Tax.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

iv. **Key judgements and estimates – Share-based payments**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 19 Share-based payments.

v. **Key judgements and estimates – Impairment**

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

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

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

i. **AASB 9 *Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)***

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

*The Directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.*

ii. **AASB 15 *Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).***

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

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 the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

(1) Identify the contract(s) with a customer;

(2) Identify the performance obligations in the contract(s);

(3) Determine the transaction price;

(4) Allocate the transaction price to the performance obligations in the contract(s); and

(5) Recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

*The Directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.*

iii. **AASB 16: *Leases (applicable to annual reporting periods commencing on or after 1 January 2019).***

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

*The Directors anticipate that the adoption of AASB 15 will not have a material impact on the Group given it does not currently hold any operating leases.*

iv. **Other standards not yet applicable**

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 1 Statement of significant accounting policies

v. **Other standards adopted**

Other standards adopted in the current financial year have not had a material impact on the entity.

## Note 2 Company details

**The registered office and principal place of business of the Company is:**

| | |
|---|---|
| Address: | Suite 12, Level 1<br>11 Ventnor Avenue<br>WEST PERTH WA 6005 |
| *Postal:* | PO Box 1240<br>WEST PERTH WA 6872 |
| *Telephone:* | +61 (0)8 6245 2050 |
| *Facsimile:* | +61 (0)8 6245 2055 |

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 3 Revenue and other income

| | 2018 $ | 2017 $ |
|---|---|---|
| a. **Revenue** | | |
| Interest | 5,808 | 809 |
| | 5,808 | 809 |
| b. **Other Income** | | |
| Realised Gain/(Loss) on listed shares | - | 27,140 |
| Realised foreign exchange gain/(loss) | 260 | (4,342) |
| Waived director fees | - | 109,368 |
| Debt forgiveness | - | 177,009 |
| | 260 | 309,175 |

## Note 4 Profit / (loss) before income tax

| | 2018 $ | 2017 $ |
|---|---|---|
| The following significant revenue and expense items are relevant in explaining the financial performance: | | |
| a. **Depreciation and amortisation:** | | |
| • Depreciation and amortisation of plant and equipment | - | 18 |
| • Amortisation of intangibles | - | - |
| | | 18 |
| b. **Employment costs:** | | |
| • Directors' fees | 121,250 | 80,833 |
| • Employee benefits | - | 17,478 |
| | 121,250 | 98,311 |
| c. **Impairment:** | | |
| • Impairment of exploration and evaluation assets | 413,088 | 851,624 |
| • Exploration expenditure written off | - | 34,599 |
| • Bad debt expenses | - | 37,550 |
| | 413,088 | 923,773 |

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 5 Auditor's remuneration

| | 2018 $ | 2017 $ |
|---|---|---|
| Remuneration of the auditor of the Drake Limited for: | | |
| • Auditing or reviewing the financial reports: | | |
| ○ Bentleys (*Australia*) | 24,237 | 23,250 |
| • Taxation services provided by a related practice of the Auditor | 1,650 | 2,500 |
| | 25,887 | 25,750 |

## Note 6 Income tax

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| a. **Income tax expense / (benefit)** | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| | | - | - |
| Deferred income tax expense included in income tax expense comprises: | | | |
| • Increase / (decrease) in deferred tax assets | 6c | - | - |
| • (Increase) / decrease in deferred tax liabilities | 6d | - | - |
| | | - | - |
| b. **Reconciliation of income tax expense to prima facie tax payable** | | | |
| The prima facie tax payable / (benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows: | | (1,148,945) | (1,675,443) |
| Prima facie tax on operating loss at 27.5% (2017: 27.5%) | | (315,960) | (460,747) |
| Add / (Less) | | | |
| Tax effect of: | | | |
| ○ Due-Diligence costs | | - | - |
| ○ Other non-allowable items | | 191,467 | 325,409 |
| ○ Capital raising costs deductible | | (53,284) | (53,008) |
| ○ Under provision in prior years | | - | - |
| ○ Deferred tax asset not brought to account | | 177,777 | 188,346 |
| Income tax expense / (benefit) attributable to operating loss | | - | - |

# Notes to the consolidated financial statements

for the year ended 30 June 2018



## Note 6 Income tax (cont.)

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| c. **Deferred tax assets** | | | |
| Tax losses | | 2,605,899 | 2,431,456 |
| Provisions and accruals | | - | - |
| Capital Losses | | 398,147 | 398,147 |
| Other | | 92,932 | 116,836 |
| | | 3,096,978 | 2,946,439 |
| Set-off deferred tax liabilities | 6d | - | (613) |
| Net deferred tax assets | | 3,096,978 | 2,945,826 |
| Less deferred tax assets not recognised | | (3,096,978) | (2,945,826) |
| Net tax assets | | - | - |
| d. **Deferred tax liabilities** | | | |
| Other | | - | 613 |
| | | - | 613 |
| Set-off deferred tax assets | 6c | - | (613) |
| Net deferred tax liabilities | | - | - |
| e. **Tax losses and deductible temporary differences** | | | |
| Unused tax losses for which no deferred tax asset has been recognised, | | 9,475,996 | 8,841,660 |
| Unused capital losses for which no deferred tax asset has been recognised | | 1,447,808 | 1,447,808 |
| Potential tax benefit at 27.5% (2017: 27.5%) | | 3,004,046 | 2,829,604 |

Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2018 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 7 Earnings per share (EPS)

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| a. **Reconciliation of earnings to profit or loss** | | | |
| (Loss) / profit for the year | | (1,148,945) | (1,675,443) |
| • Loss from continuing operations used in the calculation of basic EPS | | (1,148,945) | (1,675,443) |

| | | 2018 No. | 2017 No. |
|---|---|---|---|
| b. **Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS** | 7e | 261,400,674 | 13,996,709 |

| | | 2018 ¢ | 2017 ¢ |
|---|---|---|---|
| c. **Earnings per share** | | | |
| From continuing operations | | (0.44) | (11.97) |
| Basic EPS (cents per share) | 7e | (0.44) | (11.97) |

d. The earnings per share for 30 June 2017 have been restated for the one for one hundred and fifty share consolidation disclosed in Note 14c.

e. At the end of the 2018 financial year, the Group has 93,500,001 unissued shares under options (2017: 70,940,320). The Group does not report diluted earnings per share on annual losses generated by the Group. During the 2018 financial year the Group's unissued shares under option and partly-paid shares were anti-dilutive.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 8 Cash and cash equivalents

| | 2018 $ | 2017 $ |
|---|---|---|
| a. **Current** | | |
| Cash at bank | 1,402,964 | 524,168 |
| | 1,402,964 | 524,168 |

b. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24 Financial risk management.

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| c. **Cash Flow Information** | | | |
| i. Reconciliation of cash flow from operations to (loss)/profit after income tax | | | |
| Loss after income tax | | (1,148,945) | (1,675,443) |
| Cash flows excluded from (loss)/profit attributable to operating activities | | | |
| *Non-cash flows in (loss)/profit from ordinary activities:* | | | |
| • Depreciation and amortisation | | - | 18 |
| • Impairments | | 413,088 | 886,222 |
| • Doubtful debt expense | 4c | - | 37,550 |
| • Losses/(Gains) on financial assets | | - | (27,140) |
| • Convertible note interest | | - | 69,445 |
| • Share-based payments | 19 | 283,154 | 97,085 |
| • Settlement costs | | - | 200,000 |
| • Debt forgiveness | | - | (286,377) |
| • Exploration costs payables adjustment | | 8,932 | - |
| • Other | | 1,590 | (5,178) |
| *Changes in assets and liabilities:* | | | |
| • (Increase)/decrease in receivables | | (19,285) | 131,157 |
| • (Increase)/decrease in prepayments and other assets | | - | (2,228) |
| • Increase/(decrease) in trade and other payables | | (77,336) | (35,051) |
| Cash flow from operations | | (538,802) | (609,940) |

d. **Credit standby facilities**

The Group has no credit standby facilities.

e. **Non-cash investing and financing activities**

There were no non-cash investing or financing activities in the current or previous financial year.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 9 Trade and other receivables

| | 2018 $ | 2017 $ |
|---|---|---|
| a. **Current** | | |
| GST and VAT receivable | 29,945 | 20,018 |
| Other receivables | 31,945 | 22,587 |
| | 61,890 | 42,605 |

b. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24 Financial risk management.

## Note 10 Property, plant, and equipment

| | 2018 $ | 2017 $ |
|---|---|---|
| a. **Non-current** | | |
| Plant and equipment | 324,964 | 324,964 |
| Accumulated depreciation | (324,964) | (324,964) |
| Total plant and equipment | - | - |

## Note 11 Exploration and evaluation assets

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| a. **Non-current** | | | |
| Carrying amount at beginning of period | | 449,190 | 1,300,000 |
| Exploration expenditure capitalised | | 193,997 | 34,599 |
| Impairment and exploration activities written off | | (413,088) | (885,409) |
| Carrying amount at the end of the year | | 230,099 | 449,190 |

b. Recoverability of the carrying amount of exploration assets is dependent on the successful exploration of the areas of interest.

c. During the year the Company relinquished rights to several of its tenements in Scandinavia, resulting in an impairment loss of $413,088 (2017: $885,409) being recognised.

d. Korsheden nr 1 is due to lapse on 26 September 2018. This will not be renewed and has been impaired to nil as at 30 June 2018.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 12 Trade and other payables

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| a. **Current** | | | |
| *Unsecured* | | | |
| Trade payables | 12b | 119,092 | 174,582 |
| Accruals | | 9,937 | 9,000 |
| Employment related payables | | 17,515 | 17,549 |
| Other | | - | 22,749 |
| | | **146,544** | 223,880 |

b. Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 45 days.

c. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24 Financial risk management.

## Note 13 Borrowings

There were no borrowings during the financial year 2018. On 13 June 2017, the Company issued 37,500,000 ordinary shares at a value of $0.01 per share in respect to the settlement of a convertible note arrangement. This settlement included $175,000 in debt, and $200,000 in settlement costs.

# Notes to the consolidated financial statements

for the year ended 30 June 2018



## Note 14 Issued capital

| | Note | 2018 No. | 2017 No. | 2018 $ | 2017 $ |
|---|---|---|---|---|---|
| Fully paid ordinary shares at no par value | 14a | 313,424,062 | 137,552,490 | 28,641,237 | 26,983,373 |
| a. **Ordinary shares** | | | | | |
| At the beginning of the period | | 137,552,490 | 940,637,062 | 26,983,373 | 25,677,207 |
| Shares issued during the year: | | | | | |
| ○ 17 October 2017 at $0.01 | | 175,000,000 | - | 1,750,000 | - |
| ○ 11 January 2018 at $0.015 | 14b | 2,500,000 | - | 37,500 | - |
| ○ 19 June 2018 unmarketable parcel buy back | | (1,628,428) | - | (22,798) | |
| ○ 22 December 2016 at 0 cents | | - | 99,800,000 | - | - |
| ○ Effect of consolidation at 150:1 | 14c | - | (1,033,501,238) | - | - |
| ○ 11 April 2017 at 1.0 cent | | - | 116,666 | - | 1,166 |
| ○ 8 June 2017 at 1.0 cent | | - | 93,000,000 | - | 930,000 |
| ○ 13 June 2017 at 1.0 cent | | - | 37,500,000 | - | 375,000 |
| Transaction costs relating to share issues | | | - | (106,838) | - |
| At reporting date | | 313,424,062 | 137,552,490 | 28,641,237 | 26,983,373 |

b. On 11 January 2018, the Company issued 2,500,000 shares to settle an amount of $37,500 to a creditor.

c. The Company completed its 150:1 share consolidation in April 2017 following approval by shareholders in April 2017. The share consolidation involved the conversion of every 150 fully paid ordinary shares on issue into 1 fully paid ordinary share. Where the share consolidation resulted in a shareholder having a fractional entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation in April 2017, the number of shares on issue reduced from 940,637,062 shares to 6,270,530 shares as at that date.

| d. **Options** | | 2018 No. | 2017 No. | 2018 $ | 2017 $ |
|---|---|---|---|---|---|
| Options | | 93,500,001 | 70,940,320 | 343,490 | 97,585 |
| At the beginning of the period | | 70,940,320 | 366,047,882 | 97,585 | - |
| Options issued/(lapsed) during the year: | | | | | |
| ○ Options expired | | (2,440,319) | - | - | - |
| ○ 2.5 cent options expiring 08.06.21 | | 25,000,000 | - | 245,905 | - |
| ○ Effect of consolidation at 150:1 | 14c | - | (363,607,563) | - | - |
| ○ 3 cent options expiring 04.05.21 | | - | 14,000,000 | - | 65,927 |
| ○ 3 cent options expiring 08.06.21 | | - | 2,000,000 | - | 9,538 |
| ○ 2 cent options expiring 08.06.21 | | - | 35,000,001 | - | 22,120 |
| ○ 2 cent options expiring 14.06.21 | | - | 17,500,000 | - | - |
| At reporting date | | 93,500,001 | 70,940,320 | 343,490 | 97,585 |

# Notes to the consolidated financial statements

for the year ended 30 June 2018



## Note 14 Issued capital (cont.)

e. **Capital Management**

The Directors' objectives when managing capital are to ensure that the Group can fund its operations and continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads.

The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group were as follows:

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| Cash and cash equivalents | 8 | 1,402,964 | 524,168 |
| Trade and other receivables | 9 | 61,890 | 42,605 |
| Trade and other payables | 12 | (146,544) | (223,880) |
| Working capital position | | 1,318,310 | 342,893 |

## Note 15 Reserves

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| Option reserve | 15a | 343,490 | 97,585 |
| Foreign exchange reserve | 15b | (46,278) | (47,780) |
| Share-based payment reserve | 15c | 525,944 | 525,944 |
| | | 823,156 | 575,749 |

a. **Option reserve**

The option reserve records items recognised as expenses on the value of directors and employee equity issues. Please refer Note 19 for further information.

b. **Foreign exchange translation reserve**

The foreign exchange reserve records exchange differences arising on translation of foreign controlled subsidiaries.

c. **Share-based payments reserve**

The share-based payments reserve records shares which have been granted as share-based payments at year end but not issued.

## Note 16 Controlled entities

Drake Resources Limited is the ultimate parent of the Group.

a. **Subsidiaries**

| | Country of Incorporation | Class of Shares | Percentage Owned 2018 | Percentage Owned 2017 |
|---|---|---|---|---|
| Drake Resources Sweden AB | Sweden | Ordinary | 100.0 | 100.0 |
| Drake Resources UK Limited | United Kingdom | Ordinary | 100.0 | 100.0 |
| Drake (Euro) Pty Ltd | Australia | Ordinary | 100.0 | 100.0 |

b. Investments in subsidiaries are accounted for at cost.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 17 Key Management Personnel compensation (KMP)

The names are positions of KMP are as follows:

- Ms Sara Kelly — Non-executive Chairman *(Appointed on 1 June 2017)*
- Mr Ariel (Eddie) King — Non-executive Director *(Appointed on 10 February 2017)*
- Mr James Scovell — Non-executive Director *(Appointed on 1 June 2017)*
- Mr David Wheeler — Non-executive Director *(Appointed on 4 December 2017)*
- Mr Jay Stephenson — Non-executive Director *(Appointed on 31 March 2005 / resigned 1 December 2017)*

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 9.

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| Short-term employee benefits | | 134,000 | 10,000 |
| Post-employment benefits | | - | - |
| Share-based payments | | 108,088 | 96,172 |
| Other long-term benefits | | - | - |
| Termination benefits | | - | - |
| Total | | 242,088 | 106,172 |

## Note 18 Related party transactions

| | 2018 $ | 2017 $ |
|---|---|---|
| Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. | | |
| a. **Transactions with Related Parties** | | |
| **Wolfstar Group Pty Ltd** | | |
| Mr Fraser resigned as Non-executive Director of the Company on the 10 March 2017. Mr Fraser is a Director and Shareholder of Wolfstar Group Pty Ltd. Wolfstar Group provided Company Secretarial, Chief Financial Officer and due diligence services to the Group. | - | (166,132) |
| Outstanding debt forgiven by Wolfstar Group on 26 May 2017 | - | 120,745 |
| Note: Positive amounts represent a net reimbursement to Drake Resources from Wolfstar Group | | |
| **Edwards Mac Scovell** | | |
| Ms Kelly, Non-executive Chairman of the Company is a Partner of Edwards Mac Scovell who provide legal services to the Group. | 72,407 | - |
| b. **Amounts due (to) / from Related Parties** | | |
| Amounts due (to) Wolfstar Group Pty Ltd | - | (6,630) |
| Amounts due (to) / from Edwards Mac Scovell | - | - |

c. Balances and transactions between Drake Resources Limited and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not discussed in this note. Details of transactions between the Group and other related parties are disclosed above.

d. Details of KMP remuneration are disclosed in Note 17.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 19 Share-based payments

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| Share-based payment expense | 19a | 283,154 | 97,085 |
| Gross share-based payments | | 283,154 | 97,085 |

a. **The following share-based payment arrangements existed at 30 June 2018:**

i. Share-based payments – Share options

- On 4 May 2017 the company issued 14,000,000 Director options at an exercise price of $0.03 each, exercisable on or before 4 May 2021. At balance date, no options have been exercised.
- On 8 June 2017 the company issued 35,000,001 and 2,000,000 Director options at an exercise price of $0.02 and $0.03 each, exercisable on or before 8 June 2021.
- On 14 June 2017 the company issued 17,500,000 Adviser options at an exercise price of $0.02 each, exercisable on or before 13 June 2021.
- On 12 January 2018 the company issued 2,500,000 ordinary shares to a creditor to settle a debt of $37,500.
- On 15 March 2018 the company issued 11,000,000 Director options at an exercise price of $0.025 each, exercisable on or before 8 June 2021.
- On 15 March 2018 the company issued 14,000,000 Advisor options at an exercise price of $0.025 each, exercisable on or before 8 June 2021.

At balance date, no share options have been exercised.

b. **Movement in share-based payment arrangements during the period**

A summary of the movements of all company options issued as share-based payments is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding at the beginning of the year | 70,940,320 | $0.0246 | 366,047,882 | $0.0300 |
| Granted | 25,000,000 | $0.0067 | 68,500,001 | $0.0246 |
| Consolidated | - | - | (363,607,563) | - |
| Exercised | - | - | - | - |
| Expired | (2,440,319) | - | - | - |
| Outstanding at year-end | 93,500,001 | $0.0230 | 70,940,320 | $0.0246 |
| Exercisable at year-end | 93,500,001 | $0.0230 | 70,940,320 | $0.0246 |

i. The company issued 25,000,000 options during the year.

ii. The company's share options hold no voting or dividend rights, and are not transferable. At balance date, no options had been exercised. During the year 2,440,319 share options expired.

iii. All options granted are for ordinary shares in Drake Resources Limited, which confer a right to one ordinary share for every option held. All options have vested as at balance date.

iv. The weighted average remaining contractual life of options outstanding at year end was 2.931 years (2017: 3.681 years). The weighted average exercise price of outstanding options at the end of the reporting period was $0.023 (2017: $0.0247).

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 19 Share-based payments

c. **Fair value of options grants during the period**

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was $0.0098 (2017: $0.0024). These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options issued this year:

| Grant date: | 4 May 2017 | 8 June 2017 | 8 June 2017 | 14 June 2017 | 15 March 2018 |
|---|---|---|---|---|---|
| Grant date share price | $0.01 | $0.01 | $0.01 | $0.01 | $0.017 |
| Option exercise price | $0.03 | $0.03 | $0.02 | $0.02 | $0.025 |
| Number of options issued | 14,000,000 | 2,000,000 | 35,000,001 | 17,500,000 | 25,000,000 |
| Expiry Date | 5 May 2021 | 8 June 2021 | 8 June 2021 | 13 June 2021 | 8 June 2021 |
| Expected share price volatility | 95% | 96% | 96% | - | 102% |
| Risk-free interest rate | 2.14% | 1.93% | 1.93% | - | 2.065% |
| Value per options | $0.004709 | $0.004769 | $0.005529 | - | $0.0091 |

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

## Note 20 Commitments

The Company had no capital or other expenditure commitments at 30 June 2018 (2017: $Nil).

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 21 Contingent liabilities

There are no contingent liabilities as at 30 June 2018.

## Note 22 Operating segments

a. **Identification of reportable segments**

The Group operates in the exploration and evaluation of nickel, gold, silver and base metals projects. Inter-segment transactions are priced at cost to the Consolidated Group.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors on a monthly basis. Management has identified the operating segments based on the one principal location (2017: one principal location) of its projects in Scandinavia. Corporate expenses include administration and regulatory expenses arising from operating an ASX listed entity. Segment assets include the costs to acquire tenements and the capitalised exploration costs of those tenements. Financial assets including cash and cash equivalents, and investments in financial assets, are reported in the Treasury segment.

b. **Basis of accounting for purposes of reporting by operating segments**

i. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

ii. **Inter-segment transactions**

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements

iii. **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

iv. **Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

v. **Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 22 Operating segments (cont.)

| For the Year to 30 June 2018 | Scandinavia Exploration $ | Treasury $ | Total $ |
|---|---|---|---|
| **Revenue** | | | |
| Total segment revenue | | 6,056 | 6,056 |
| **Segment net/profit (loss) from continuing operations before tax** | (413,088) | 6,056 | (407,032) |
| *Reconciliation of segment loss to group loss* | | | |
| (i) Amounts not included in segment results but reviewed by Board: | | | |
| • Depreciation and amortisation | | | - |
| • Corporate charges | | | (458,759) |
| (ii) Unallocated items | | | |
| • Share-based payment expense | | | (283,154) |
| **Loss before income tax** | | | (1,148,945) |
| **As at 30 June 2018** | | | |
| *Segment Assets* | 230,099 | 1,402,964 | 1,633,063 |
| *Reconciliation of segment assets to group assets* | | | |
| • Trade and other receivables | | | 61,890 |
| **Total assets** | | | 1,694,593 |
| Segment asset increases for the year: | | | |
| • Impairment of exploration assets | (413,088) | - | |
| • Other movements | 193,997 | 878,796 | |
| | (219,091) | 878,796 | |
| *Segment Liabilities* | 15,819 | - | 15,819 |
| *Reconciliation of segment liabilities to group liabilities* | | | |
| • Trade and other payables | | | 130,725 |
| **Total liabilities** | | | 146,544 |

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 22 Operating segments (cont.)

| For the Year to 30 June 2017 | Scandinavia Exploration $ | Treasury $ | Total $ |
|---|---|---|---|
| **Revenue** | | | |
| • Revenue | - | 27,949 | 27,949 |
| Total segment revenue | - | 27,949 | 27,949 |
| Total group revenue and other income | | | 27,949 |
| **Segment net/profit (loss) from continuing operations before tax** | (886,223) | 27,949 | (858,274) |
| *Reconciliation of segment loss to group loss* | | | |
| (i) Amounts not included in segment results but reviewed by Board: | | | |
| • Depreciation and amortisation | | | (18) |
| • Corporate charges | | | (1,006,443) |
| (ii) Unallocated items | | | |
| • Share-based payment expense | | | (97,085) |
| • Debt forgiveness | | | 286,377 |
| **Loss before income tax from continuing operations** | | | 1,675,443 |
| **As at 30 June 2017** | | | |
| *Segment Assets* | 449,190 | 524,168 | 973,358 |
| *Reconciliation of segment assets to group assets* | | | |
| • Trade and other receivables | | | 42,605 |
| **Total assets** | | | 1,015,963 |
| Segment asset increases for the year: | | | |
| • Impairment of exploration assets | (886,223) | - | |
| • Unrealised gain/(loss) on listed shares | | - | |
| • Other movements | 34,599 | 277,135 | |
| | (851,624) | 277,135 | |
| *Segment Liabilities* | 29,567 | - | 29,567 |
| *Reconciliation of segment liabilities to group liabilities* | | | |
| • Trade and other payables | | | 194,313 |
| **Total liabilities** | | | 223,880 |

## Note 23 Events subsequent to reporting date

On 1 July 2017 Ms Sara Kelly was appointed Non-executive Chairman. Ms Kelly was previously appointed Non-executive Director on 1 June 2017.

There are no other material events subsequent to reporting date.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 24 Financial risk management

### a. Financial Risk Management Policies

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's Financial Assets and Liabilities is shown below:

| | Floating Interest Rate $ | Fixed Interest Rate $ | Non-interest Bearing $ | 2018 Total $ | Floating Interest Rate $ | Fixed Interest Rate $ | Non-interest Bearing $ | 2017 Total $ |
|---|---|---|---|---|---|---|---|---|
| Financial Assets | | | | | | | | |
| Cash and cash equivalents | 1,402,964 | - | - | 1,402,964 | 524,168 | - | - | 524,168 |
| Trade and other receivables | - | - | 61,890 | 61,890 | - | - | 42,605 | 42,605 |
| **Total Financial Assets** | 1,402,964 | - | 61,890 | 1,464,854 | 524,168 | - | 42,605 | 566,773 |
| Financial Liabilities | | | | | | | | |
| Financial liabilities at amortised cost | | | | | | | | |
| Trade and other payables | - | - | 146,544 | 146,544 | - | - | 223,880 | 223,880 |
| **Total Financial Liabilities** | - | - | 146,544 | 146,544 | - | - | 223,880 | 223,880 |
| **Net Financial Assets/(Liabilities)** | 1,402,964 | - | (86,454) | 1,318,310 | 524,168 | - | (181,275) | 342,893 |

### b. Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

#### i. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties.

# Notes to the consolidated financial statements

for the year ended 30 June 2018



## Note 24 Financial risk management (cont.)

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the statement of financial position.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

- *Credit risk exposures*

  The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

  Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-.

ii. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

- *Contractual Maturities*

  The following are the contractual maturities of financial liabilities of the Group:

| | Within 1 Year | | Greater Than 1 Year | | Total | |
|---|---|---|---|---|---|---|
| | 2018 $ | 2017 $ | 2018 $ | 2017 $ | 2018 $ | 2017 $ |
| Financial liabilities due for payment | | | | | | |
| Trade and other payables | 146,544 | 223,880 | - | - | 146,544 | 223,880 |
| **Total contractual outflows** | 146,544 | 223,880 | - | - | 146,544 | 223,880 |
| Financial assets | | | | | | |
| Cash and cash equivalents | 1,402,964 | 524,168 | - | - | 1,402,964 | 524,168 |
| Trade and other receivables | 61,890 | 42,605 | - | - | 61,890 | 42,605 |
| **Total anticipated inflows** | 1,464,854 | 566,773 | - | - | 1,464,854 | 566,773 |
| **Net (outflow)/inflow on financial instruments** | 1,318,310 | 342,893 | - | - | 1,318,310 | 342,893 |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

# Notes to the consolidated financial statements

for the year ended 30 June 2018

## Note 24 Financial risk management (cont.)

iii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Board meets on a regular basis and considers the Group's interest rate risk.

(1) ***Interest rate risk***

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Due to the low amount of debt exposed to floating interest rates, interest rate risk is not considered a high risk to the Group. Movement in interest rates on the Group's financial liabilities and assets is not material.

(2) ***Foreign exchange risk***

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in foreign currencies may impact on the Group's financial results. The Group's exposure to foreign exchange risk is minimal; however the Board continues to review this exposure regularly.

(3) ***Price risk***

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

iv. Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

| (1) ***Interest rates*** | Profit<br>$ | Equity<br>$ |
|---|---|---|
| **Year ended 30 June 2018** | | |
| ±100 basis points change in interest rates | ± 14,029 | ± 14,029 |
| **Year ended 30 June 2017** | | |
| ±100 basis points change in interest rates | ± 5,242 | ± 5,242 |

v. Net Fair Values

(1) ***Fair value estimation***

The fair values of financial assets and financial liabilities are presented in the table in note 24a and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

# Notes to the consolidated financial statements

for the year ended 30 June 2017

## Note 25 Parent entity disclosures

| | 2018 $ | 2017 $ |
|---|---|---|
| **a. Financial Position of Drake Resources Limited** | | |
| Current assets | 1,439,133 | 555,509 |
| Non-current assets | 240,001 | 451,959 |
| **Total assets** | 1,679,134 | 1,007,468 |
| Current liabilities | 130,725 | 215,385 |
| **Total liabilities** | 130,725 | 215,385 |
| **Net assets** | 1,548,409 | 792,083 |
| *Equity* | | |
| Issued capital | 28,641,238 | 26,983,373 |
| Reserves | 823,156 | 575,749 |
| Accumulated losses | (27,915,985) | (26,767,039) |
| **Total equity** | 1,548,409 | 792,083 |
| **b. Financial performance of Drake Resources Limited** | | |
| Profit / (loss) for the year | (1,148,946) | (1,676,399) |
| Other comprehensive income | - | - |
| **Total comprehensive income** | (1,148,946) | (1,676,399) |

**c. Guarantees entered into by Drake Resources Limited for the debts of its subsidiaries**

There are no guarantees entered into by Drake Resource for the debts of its subsidiaries as at 30 June 2018 (2017: none).

**d. Commitments of Drake Resources Limited**

The amounts applicable for both Drake Resources Limited (the parent) and the Consolidated Group can be found in Note 20.

# Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 15 to 48, are in accordance with the *Corporations Act 2001* (Cth) and:

   (a) comply with Accounting Standards;

   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and

   (c) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Group.

   (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

**SARA KELLY**
Chairman
Dated this 28 September 2018

# Independent Auditor's Report

## To the Members of Drake Resources Limited

Bentleys
THINKING AHEAD

**Bentleys Audit & Corporate (WA) Pty Ltd**
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

## Report on the Audit of the Financial Report

### Opinion

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

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a)(i).

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 Consolidated Entity 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 |
|---|---|
| **Exploration and Evaluation Expenditure – $230,099**<br><br>(Refer to Note 11)<br><br>Exploration and evaluation is a key audit matter due to:<br><br>- The significance of the balance to the Consolidated Entity's consolidated financial position;<br>- The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset; and<br>- The assessment of impairment of exploration and evaluation expenditure being inherently difficult. | Our procedures included, amongst others:<br><br>- Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the consolidated entity holds an interest and the exploration programmes planned for those tenements;<br>- For each area of interest, assessing the Consolidated Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable;<br>- We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6;<br>- We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest.<br>- We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure:<br>  - the licenses for the right to explore expiring in the near future or are not expected to be renewed;<br>  - substantive expenditure for further exploration in the specific area is neither budgeted or planned |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| | ▸ decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and<br>▸ data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.<br>We assessed the appropriateness of the related disclosures in note 11 to the financial statements. |
| **Share based payments – $283,154**<br>(Refer to Note 19)<br>As disclosed in note 19 in the financial statements, during the year ended 30 June 2018, the Company incurred share based payments totalling $283,154.<br>Share based payments are considered to be a key audit matter due to<br>▸ The value of the transactions;<br>▸ The complexities involved in recognition and measurement of these instruments; and<br>▸ The judgement involved in determining the inputs used in the valuation.<br>Management used the Black-Scholes option valuation model to determine the fair value of the options granted. This process involved significant estimation and judgement required to determine the fair value of the equity instruments granted. | Our procedures included, amongst others:<br>▸ Analysing contractual agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with AASB 2 Share Based Payments;<br>▸ Evaluating management's Black-Scholes Valuation Models and assessing the assumptions and inputs used;<br>▸ Assessing the amount recognised during the period against the vesting conditions of the options; and<br>▸ Assessing the adequacy of the disclosures included in the financial report. |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity'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 accordingly 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 Note 1(a)(i), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity'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 Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

## Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

**BENTLEYS**
**Chartered Accountants**

**MARK DELAURENTIS CA**
**Partner**

Dated at Perth this 28th day of September 2018

# Corporate governance statement

This Corporate Governance summary discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication 'Corporate Governance Principles and Recommendations (3rd Edition)' (**Recommendations**). The Recommendations are not mandatory, however, the Recommendations that will not be followed have been identified and reasons have been provided for not following them along with what (if any) alternative governance practices the Company intends to adopt in lieu of the recommendation.

The Company has adopted the following suite of corporate governance policies and procedures (together, the **Corporate Governance Policies**):

- Board Charter;
- Code of Conduct;
- Continuous Disclosure Policy;
- Audit and Risk Management Committee Charter;
- Remuneration and Nomination Committee Charter;
- Risk Management Policy;
- Performance Evaluation Policy;
- Securities Trading Policy;
- Diversity Policy; and
- Shareholder Communications Policy.

The Company's Corporate Governance Policies are available on the Company's website at www.drakeresources.com.au.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.

| Recommendations | Comply | Explanation |
|---|---|---|
| **Principle 1: Lay solid foundations for management and oversight** | | |
| **Recommendation 1.1**<br>A listed entity should have and disclose a charter which:<br>(a) sets out the respective roles and responsibilities of the board, the chair and management; and<br>(b) includes a description of those matters expressly reserved to the board and those delegated to management. | Complying | The Company has adopted a Board Charter that sets out the specific responsibilities of the Board, the Chair and management and includes a description of those mattes expressly reserved to the Board and those delegated to management.<br>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.<br>A copy of the Company's Board Charteris available on the Company's website. |
| **Recommendation 1.2**<br>A listed entity should:<br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director. | Complying | (a) The Company has detailed guidelines for the appointment and selection of the Board in its Remuneration and Nomination Committee Charter. The Company's Nomination Committee Charter requires the Remuneration and Nomination Committee (or, in its absence, the Board) to ensure appropriate checks are undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director.<br>(b) Material information relevant to any decision on whether or not to elect or re-elect a Director will be provided to security holders in the notice of meeting holding the resolution to elect or re-elect the Director. In the case of candidates standing for re-election, the candidate's experience and qualification are also disclosed on the Company's website and in its annual reports. |
| **Recommendation 1.3**<br>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Complying | The Company's Remuneration and Nomination Committee Charter requires the Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. |

| Recommendations | Comply | Explanation |
|---|---|---|
| **Recommendation 1.4**<br>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Complying | The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. |
| **Recommendation 1.5**<br>A listed entity should:<br>(a) have a diversity policy which includes requirements for the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;<br>(b) disclose that policy or a summary or it; and<br>(c) disclose as at the end of each reporting period:<br>(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and<br>(ii) either:<br>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or<br>(B) if the entity is a " relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Workplace Gender Equality Act. | Complying | (a) The Company has adopted a Diversity Policy which: provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives if any have been set and the Company's progress in achieving them.<br>(b) The Diversity Policy is available on the Company's website.<br>(c) The measurable gender diversity objectives for each financial year (if any), and the Company's progress in achieving them, will be detailed in the Company's Annual Report. The Board does not anticipate there will be a need to appoint any new Directors or senior executives due to, in the Board's view, the existing Directors and senior executives having sufficient skill and experience to carry out the Company's current plans; and<br>(i) if it becomes necessary to appoint any new Directors or senior executives, the Board will consider the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit; and<br>(ii) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) for each financial year will be disclosed in the Company's Annual Report. As at 30 June 2018, 25% of the Board were female and 75% were male, and the Company Secretary was female. |
| **Recommendation 1.6**<br>A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and<br>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Complying | (a) The Company's Remuneration and Nomination Committee (or, in its absence, the Board) is responsible for arranging a performance evaluation of the Board, its Committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Company's Corporate Remuneration and Nomination Committee Charter, and Performance Evaluation Policy, which is available on the Company's website.<br>(b) The Company's Performance Evaluation Policy requires the Board to disclosure whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the Board, its committees (if any) and individual Directors for each financial year in accordance with the review process outlined in the Remuneration and Nomination Committee Charter, and Performance Evaluation Policy. |

| Recommendations | Comply | Explanation |
|---|---|---|
| **Recommendation 1.7**<br>A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and<br>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Complying | (a) The Company's Nomination Committee (or, in its absence, the Board) is responsible for arranging a performance evaluation of senior executives on an annual basis. To assist in this process an independent advisor may be used. The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company's senior executives on an annual basis. The applicable process for these evaluations can be found in the Company's Remuneration and Nomination Committee Charter, and Performance Evaluation Policy, which are available on the Company's website.<br>(b) The Company's Performance Evaluation Policy requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the senior executives (if any) for each financial year in accordance with the review process outlined in the Remuneration and Nomination Committee Charter, and Performance Evaluation Policy. |
| **Principle 2: Structure the board to add value** | | |
| **Recommendation 2.1**<br>The board of a listed entity should:<br>(a) have a nomination committee which:<br>(i) has at least three members, a majority of whom are independent directors; and<br>(ii) is chaired by an independent director,<br>and disclose:<br>(iii) the charter of the committee;<br>(iv) the members of the committee; and<br>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively. | Complying | (b) The Company does not have a Nomination Committee. The Company's Remuneration and Nomination Committee Charter provides for the creation of a Remuneration and Nomination Committee (if it considered it will benefit the Company), a majority of whom are independent Directors, and which must be chaired by an independent Director.<br>(c) Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Remuneration and Nomination Committee Charter. The Board considers that it can deal efficiently and effectively with board composition and succession issues without establishing a separate Nomination Committee.<br>The duties of the Nomination Committee are outlined in the Company's Remuneration and Nomination Committee Charter, which is available on the Company's website.<br>The Board devotes time at board meetings to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.<br>The Board regularly updates the Company's board skills matrix (in accordance with Recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity. |

| Recommendations | Comply | Explanation |
|---|---|---|
| **Recommendation 2.2**<br>A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | Complying | **Board Skills Matrix** / **Number of Directors that Meet the Skill**<br>Executive & Non- Executive experience: 4<br>Industry experience & knowledge: 3<br>Leadership: 4<br>Corporate governance & risk management: 4<br>Strategic thinking: 4<br>Desired behavioural competencies: 4<br>Geographic experience: 3<br>Capital Markets experience: 3<br>Subject matter expertise:<br>- accounting: 1<br>- capital management: 3<br>- corporate financing: 2<br>- industry taxation [1]: 0<br>- risk management: 4<br>- legal: 2<br>- IT expertise [2]: 0<br>(1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements.<br>(2) Skill gap noticed however an external IT firm is employed on an adhoc basis to maintain IT requirements.<br>A profile of each director setting out their skills, experience and expertise is set out in the Directors' Report of the Company's 2018 Annual Report. |
| **Recommendation 2.3**<br>**A listed entity should disclose:**<br>(a) the names of the directors considered by the board to be independent directors;<br>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and<br>(c) the length of service of each director | Complying | (a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports and its ASX website. The Board considers that all current Directors are independent.<br>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and on the Company's website. Ms Sara Kelly is a partner at Edwards Mac Scovell Legal. Edwards Mac Scovell Legal has provided legal services to the Company within the last three years, however, the Board is of the opinion that this does not compromise her independent status.<br>(c) The Company's Annual Report and website will disclose the length of service of each Director, as at the end of each financial year. |
| **Recommendation 2.4**<br>A majority of the board of a listed entity should be independent directors. | Complying | The Board Charter requires that, where practical, the majority of the Board should be independent. All current directors are independent directors. As such, independent directors are currently a majority of the Board. Details of each Director's independence are provided in the Annual Reports and Company website. |
| **Recommendation 2.5**<br>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | Complying | The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director. The non-executive Chair of the Board is Ms Sara Kelly. Ms Kelly is considered to be an independent Director and she is not the CEO/Managing Director. |
| **Recommendation 2.6**<br>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively. | Complying | The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. |

| Recommendations | Comply | Explanation |
|---|---|---|
| **Principle 3: Act ethically and responsibly** | | |
| **Recommendation 3.1**<br>A listed entity should:<br>(a) have a code of conduct for its directors, senior executives and employees; and<br>(b) disclose that code or a summary of it. | Complying | (a) The Company's Code of Conduct applies to the Company's directors, senior executives and employees.<br>(b) The Company's Code of Conduct is available on the Company's website. |
| **Principle 4: Safeguard integrity in financial reporting** | | |
| **Recommendation 4.1**<br>The board of a listed entity should:<br>(a) have an audit committee which:<br>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and<br>(ii) is chaired by an independent director, who is not the chair of the board,<br>and disclose:<br>(iii) the charter of the committee;<br>(iv) the relevant qualifications and experience of the members of the committee; and<br>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. | Complying | (a) The Company does not currently have an Audit Committee. The Company has adopted an Audit and Risk Management Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director. At this stage of the Company's development the full Board will assume the role of the Audit and Risk Committee.<br>(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit Committee. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit Committee under the Audit and Risk Management Committee Charter including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:<br>(i) the Board will devote time at Board meeting to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors; and<br>(ii) all members of the Board will be involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting. |
| **Recommendation 4.2**<br>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | Complying | The Company's Audit and Risk Management Committee Charter requires the Board to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. |
| **Recommendation 4.3**<br>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | Complying | The Company's Audit and Risk Management Committee Charter provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. |
| **Principle 5: Make timely and balanced disclosure** | | |
| **Recommendation 5.1**<br>A listed entity should:<br>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and<br>(b) disclose that policy or a summary of it. | Complying | (a) The Company has adopted a Continuous Disclosure Policy which sets out the processes the Company follows to comply with its continuous disclosure obligations under the ASX Listing Rules and other relevant legislation.<br>(b) The Company's Continuous Disclosure Policy is available on the Company website. |
| **Principle 6: Respect the rights of security holders** | | |
| **Recommendation 6.1**<br>A listed entity should provide information about itself and its governance to investors via its website. | Complying | Information about the Company and its governance is available in the Corporate Governance Policies which can be found on the Company website. |

| Recommendations | Comply | Explanation |
|---|---|---|
| **Recommendation 6.2**<br>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | Complying | The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders. |
| **Recommendation 6.3**<br>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | Complying | Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. |
| **Recommendation 6.4**<br>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Complying | The Shareholder Communications Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.<br>Shareholders queries should be referred to the Company Secretary at first instance. |
| **Principle 7: Recognise and manage risk** | | |
| **Recommendation 7.1**<br>The board of a listed entity should:<br>(a) have a committee or committees to oversee risk, each of which:<br>(i) has at least three members, a majority of whom are independent directors; and<br>(ii) is chaired by an independent director,<br>and disclose:<br>(iii) the charter of the committee;<br>(iv) the members of the committee; and<br>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework. | Part complying | (a) The Company does not currently have an Audit and Risk Committee. The Company has adopted an Audit and Risk Management Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director. At this stage of the Company's development the full board will assume the role of the Audit and Risk Committee.<br>(b) In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Management Committee Charter including the following processes to oversee the entity's risk management framework:<br>(i) the Board devotes time at Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures; and<br>(ii) the Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies |
| **Recommendation 7.2**<br>The board or a committee of the board should:<br>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and<br>(b) disclose in relation to each reporting period, whether such a review has taken place. | Complying | (a) The Audit and Risk Management Committee Charter requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company's risk management framework continues to be sound. The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems.<br>(b) The Board Charter requires the Company to disclose the number of times the Audit and Risk Management Committee (or, in its absence, the Board) met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report. The Audit and Risk Management Committee Charter provides that the Audit and Risk Management Committee (or, in its absence, the Board) will review assessments of the effectiveness of risk management and internal compliance and control at least annually. |

| Recommendations | Comply | Explanation |
|---|---|---|
| **Recommendation 7.3**<br>A listed entity should disclose:<br>(a) if it has an internal audit function, how the function is structured and what role it performs; or<br>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | Complying | (a) The Audit and Risk Committee Charter provides for the internal audit function of the Company and outlines the monitoring, review and assessment of a range of internal audit functions and procedures.<br>(b) The Company does not have an internal audit function. As the Company grows the Board will consider whether the appointment of a contract internal auditor would be beneficial in assisting them in discharging their responsibilities under the Audit and Risk Management Committee Charter. |
| **Recommendation 7.4**<br>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | Complying | The Company has no material exposure to economic, environmental and social sustainability risks.<br>The Audit and Risk Management Committee Charter details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures. |
| **Principle 8: Remunerate fairly and responsibly** | | |
| **Recommendation 8.1**<br>The board of a listed entity should:<br>(a) have a remuneration committee which:<br>(i) has at least three members, a majority of whom are independent directors; and<br>(ii) is chaired by an independent director,<br>and disclose:<br>(iii) the charter of the committee;<br>(iv) the members of the committee; and<br>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | Complying | (b) The Company does not have a Remuneration Committee. The Company's Remuneration and Nomination Committee Charter provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), a majority of whom are independent Directors, and which must be chaired by an independent Director.<br>(c) Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration and Nomination Committee Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive:<br>(i) the Board devotes time at Board meetings to assess the level and composition of remuneration for Directors and senior executives; and<br>(ii) the Board will oversee the evaluation of the remuneration of the Company's senior executives annually. The evaluation will be based on specific criteria. The Board will disclose each financial year, whether or not the relevant annual performance evaluations have been conducted. |
| **Recommendation 8.2**<br>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration. | Complying | The Company's Remuneration and Nomination Committee Charter requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executive to be disclosed in the Company's Annual Report. |

| Recommendations | Comply | Explanation |
|---|---|---|
| **Recommendation 8.3**<br>A listed entity which has an equity-based remuneration scheme should:<br>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and<br>(b) disclose that policy or a summary of it. | Complying | (a) The Company's Remuneration and Nomination Committee Charter (in the Company's Corporate Governance Plan) states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity based plans.<br>(b) The Company does not currently have an equity-based remuneration scheme. Therefore, a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, was not required for that reporting period. |

# Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

**1 Capital**

a. Ordinary share capital as at 18 September 2018

313,242,062 ordinary fully paid shares held by 496 shareholders.

b. Unlisted Options over Unissued Shares

- 14,000,000 Unlisted Options with a $0.03 exercise price per Option expiring 5 May 2021
- 35,000,001 Unlisted Options with a $0.02 exercise price per Option expiring 8 June 2021
- 2,000,000 Unlisted Options with a $0.03 exercise price per Option expiring 8 June 2021
- 17,500,000 Unlisted Options with a $0.02 exercise price per Option expiring 13 June 2021
- 25,000,000 Unlisted Options with a $0.025 exercise price per Option expiring 8 June 2021

c. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares**: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options**: Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.

d. Substantial Shareholders as at 18 September 2018

| Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|
| Sunset Capital Management Pty Ltd <Sunset Superfund A/C> | 20,619,691 | 6.58 |
| | **20,619,691** | **6.58** |

e. Distribution of Shareholders as at 18 September 2018.

| Category (size of holding) | Total Holders | Number Ordinary | % Held of Issued Ordinary Capital |
|---|---|---|---|
| 1 – 1,000 | 54 | 19,789 | 0.01 |
| 1,001 – 5,000 | 17 | 35,505 | 0.01 |
| 5,001 – 10,000 | 7 | 50,968 | 0.02 |
| 10,001 – 100,000 | 131 | 7,674,663 | 2.45 |
| 100,001 – and over | 287 | 305,643,137 | 97.51 |
| | 496 | 313,424,062 | 100.000 |

f. Unmarketable Parcels as at 18 September 2018

As at 18 September 2018 there were 102 fully paid ordinary shareholders holding less than a marketable parcel of shares.

g. On-Market Buy-Back

There is no current on-market buy-back.

h. Restricted Securities

The Company has no restricted securities.

# Additional Information for Listed Public Companies

i. 20 Largest Shareholders — Ordinary Shares as at as at 18 September 2018

| Rank | Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|---|
| 1. | Sunset Capital Management Pty Ltd <Sunset Superfund A/C> | 20,619,691 | 6.58 |
| 2. | J & J Bandy Nominees Pty Ltd <J&J Bandy Super Fund> | 15,000,000 | 4.79 |
| 3. | Stevsand Investments Pty Ltd <Steven Formica Family A/C> | 12,116,666 | 3.87 |
| 4. | Mr Gregory John Bandy | 9,000,000 | 2.87 |
| 5. | Celtic Capital Pte Ltd <Investment 1 A/C> | 8,850,000 | 2.82 |
| 6. | Campbell Kitchener Hume & Associates Pty Ltd <C K H Superfund A/C> | 7,503,333 | 2.39 |
| 7. | Shriver Nominees Pty Ltd | 7,250,000 | 2.31 |
| 8. | First One Realty Pty Ltd | 7,158,859 | 2.28 |
| 9. | Ms Natalie Olive Horsefield | 6,000,000 | 1.91 |
| 10. | Seventy Three Pty Ltd <King Super Fund No 3 A/C> | 6,000,000 | 1.91 |
| 11. | Ravenhill Investments Pty Ltd <House of Equity A/C> | 5,000,000 | 1.60 |
| 12. | Ms Merle Smith + Ms Kathryn Smith <The Mini Pension Fund A/C> | 5,000,000 | 1.60 |
| 13. | Tisia Nominees Pty Ltd <The Henderson Family A/C?> | 5,000,000 | 1.60 |
| 14. | Waterox Pty Ltd <Tien Chai A/C> | 5,000,000 | 1.60 |
| 15. | CCI Super Fund Pty Ltd <Moultrie Staff S/F A/C> | 4,625,000 | 1.48 |
| 16. | Sunshore Holdings Pty Ltd | 4,300,000 | 1.37 |
| 17. | Symorgh Investments Pty Ltd <Symorgh Super Fund A/C> | 4,300,000 | 1.37 |
| 18. | A22 Pty Limited | 4,000,000 | 1.28 |
| 19. | Mr Mario Di Lallo + Mrs Alison Valerie Di Lallo <M & A Super Fund A/C> | 4,000,000 | 1.28 |
| 20. | Mr Daryl John Henthorn + Ms Alison Bickell <Claire Super Fund A/C> | 3,750,000 | 1.20 |
| | **TOTAL** | **144,473,549** | 46.11 |

**2** The Company Secretary is Julia Beckett.

**3 Principal registered office**

As disclosed in Note 2 Company details on page 29 of this Annual Report.

**4 Registers of securities**

As disclosed in the Corporate directory on page i of this Annual Report.

**5 Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate directory on page i of this Annual Report.

**6 Use of funds**

The Company has used its funds in accordance with its initial business objectives.

# Tenement report

As at 30 June 2018



| Sweden | | | |
|---|---|---|---|
| **Granmuren Project** | | **Other Swedish Exploration Permits** | |
| Tullsta nr 2 2012:78 | 100% | Gaddebo nr 3 2014:91 | 100% |
| Tullsta nr 5 2017:140 | 100% | Gamla Jutbo nr 1 2012:104 | 100% |
| Tullsta nr 6 2017:158 | 100% | Korsheden nr 1 2012:135 | 100% |
| Tullsta nr 7 2018 | 100% | Prästhyttan nr 1 2012:105 | 100% |
| Berga nr 1 2018:48 | 100% | | |

drake resources