# DUKE EXPLORATION LIMITED

**ABN: 28 119 421 868**

**Financial Report For The Year Ended**
**30 June 2019**

# DUKE EXPLORATION LIMITED

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## Financial Report For The Year Ended 30 June 2019

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**DUKE EXPLORATION LIMITED**
**ABN: 28 119 421 868**
**DIRECTORS' REPORT**

DIRECTORS REPORT

Your directors present their report on the company for the financial year ended 30 June 2019.

DIRECTORS

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

1. Chairman Tokorangi Thomas Kapea appointed (11/07/2017).
2. Managing Director Eugene Stephen Iliescu appointed (11/07/2017).
3. Executive Director Paul Michael Frederiks appointed (11/07/2017).
4. Non-Executive Director Gregor Alan Partington appointed (26/04/2006)
5. Non-Executive Michelle Anne Stokes appointed (26/04/2006) resigned (01/07/2019)
6. Non-Executive Lambertus de Graaf appointed (11/07/2018) resigned (25/07/2019).

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

Note:

- Lambertus de Graaf resigned as a Non-Executive Director on 25 July 2019.
- Michelle Stokes resigned as a Non-Executive Director on 1 July 2019.
- Duke recognise the valuable contributions made by M Stokes and L de Graaf.
- Duke has reduced its Board numbers from six to four.

REVIEW OF OPERATIONS

Duke completed a Prospectus in Feb 2019. Due to poor market conditions the Prospectus was not lodged, and the IPO was postponed. Duke terminated the mandate with its broker Novus Capital on 29th March 2019 due to poor market conditions for listing on the ASX. A break fee to Novus is applicable if Duke lists on the ASX during 2019.

EPM 26499 (BUNDARRA QLD)

There are 47 prospects mapped at Bundarra, with five having immediate resource development potential for economic copper, gold, silver, cobalt and molybdenum resources (Figure 1). The mineralisation in EPM 26499 occurs on and around the margins of the Bundarra Igneous Complex, an Early Cretaceous composite intrusive system that intrudes Lower Permian Back Creek Group carbonaceous shales, sandstones and marls. Historical copper production commenced in the late 1800s from numerous small prospects. Almost all the historical production came from workings on veins and lodes located in fracture zones within 500 m of the Bundarra Tonalite contact. The first phases of modern exploration in the region began in the early 1960s. Historically the Bundarra area has been described as prospective for porphyry copper, silver and gold mineralisation. All documented drilling and mining information has been summarised, and historic (pre-JORC) resource estimates have been reviewed and a JORC compliant Exploration Target for the project estimated. Of the prospects reviewed, Mt Flora has the best potential for economic copper, silver and gold resource development, and is the most advanced, including mining and metallurgy studies in the 1970s, with pre JORC resources estimated for the Mt Flora mine area from underground mine development. Duke undertook detailed mapping, 2D and 3D modelling of the Mt Flora Prospect based on 1970s data, as well as block modelling in order to design a drill program during the reporting year. Samples taken were assayed and metallurgical test work confirmed recoveries of 96% Cu and concentrate of 30% Cu. Confirming similar numbers reported in the 1970s.

- A diamond drilling program is planned to start at Mt Flora in early October to confirm the existing historic drill data, with the aim of raising funds for resource drilling in the next financial year.
- Core Metallurgical have provided a quote to undertake a study on Processing Options as well as developing an Economic Model covering Mt Flora Prospect.

EPM 19253 (CLONCURRY QLD) has been renewed up to 3rd Oct 2020. Cloncurry is a Copper Cobalt prospect with drill locations ready to drill.

EPM 26852 (PRAIRIE CREEK QLD) the Native Title agreement with the Wulli People and the GNP people have been executed by both parties. Duke expects the Government to issue the permit early in the next financial year now that all conditions have been fulfilled.

EL 8568 (RED HILL NSW) Magnetic inversion modelling of potential porphyry bodies in the Red Hill tenement has been completed. Preliminary results are very encouraging with 11 potential porphyry targets with near surface cupola shaped anomalies that extend from the surface to depth. Two of the targets are spatially related to known skarn copper and gold mineralisation from historic workings and drilling. These targets are like the one successfully drilled by Emmerson Resources (see below). A review and compilation of historic data over the Red Hill tenement, particularly surface geochemical data and drill assays, is underway. The results of the magnetic inversions and the other updated data over the tenement will be used to create a detailed predictive model for porphyry Cu-Au mineralisation and to improve on the regional model that was completed in 2017. This will be used to prioritise targets and generate proposed exploration programs for the highest ranked targets. This work will be completed before the end of 2019.

EL 8539 (COOMERANG NSW) No work was carried out during the 2018 financial year

DUKE'S INTEREST IN EMMERSON

Duke Exploration holds 10% free carried interest in the Fifield tenement that covers the Whatling Hill porphyry copper prospect. Emmerson are continuing to explore the Whatling Hill porphyry copper gold system, where they recently announced significant new drill results. A program of more detailed geophysics will be completed ahead of the next drill program, which will target the higher-grade core of the Whatling Hill porphyry copper gold system. The next phase of drilling is planned for 2019, targeting extensions and continuations of the porphyry copper and gold mineralisation intersected in the last program, which is analogous to the Northparkes and Cadia-Ridgeway copper-gold deposits.

The profit of the company for the financial year after providing for income tax amounted to $-388,958

## New Accounting Standards Implemented

The company has implemented two new Accounting Standards that have come into effect, which is included in the results. AASB 15: Revenue from Contracts with Customers has been applied using the cumulative effective method; that is, by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 118: Revenue and AASB 111: Construction Contracts.

## Significant Changes in the State of Affairs

No significant changes in the company's state of affair. The company is focussed on the mining industry, exploration and becoming a development company.

## Principal Activities

The principal activities of the company during the financial year were exploration and development, identifying new metal resources in Australia.

No significant change in the nature of these activities occurred during the year.

## Events Subsequent to the End of the Reporting Period

- EPM 25784 (East Cloncurry) was relinquished on 9 July 2019
- Lambertus de Graaf resigned as a Non-Executive Director on 25 July 2019
- Michelle Stokes resigned as a Non-Executive Director on 1 July 2019
- Drilling at EPM 26499 (Bundarra) commenced 2 Oct 2019
- Final assays are expected in Dec 2019
- Core Metallurgy Pty Ltd have been commissioned to undertake a study on Processing Options as well as developing an Economic Model covering Mt Flora Prospect which should be completed in mid Nov 2019

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

## Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

## Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

**Dividends**

No dividends have been paid or declared since the start of the financial year.

**Options**

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

**Proceedings on Behalf of the 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.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out on page 7.

The directors' report is signed in accordance with a resolution of the Board of Directors:

Director:

Eugene Stephen Iliescu

Dated this 29th day of October, 2019

**DUKE EXPLORATION LIMITED ABN: 28 119 421 868**
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF DUKE EXPLORATION LIMITED**

In accordance with Section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Duke Exploration Limited. As the lead audit partner for the audit of the financial report of Duke Exploration Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

| | |
|---|---|
| Name of Firm: | Advanced Accountants RTM Pty Ltd |
| Name of Partner: | Robert White |
| Address: | 19 Abney Street<br>Moorooka QLD<br>4105 |

Dated this 29th day of October 2019

**DUKE EXPLORATION LIMITED**
**ABN: 28 119 421 868**
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 JUNE 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| Revenue | 2 | 1,850 | 1,694 |
| Other income | 2 | - | - |
| Impairment losses on financial assets | | - | - |
| Depreciation and amortisation expense | | (26,110) | - |
| Commissions paid | | - | - |
| Advertising expense | | (1,750) | (1,997) |
| Auditor's remuneration | 5 | (16,750) | (4,000) |
| Directors' fees | | (20,250) | - |
| Accountancy expense | | (200) | (600) |
| Finance costs | 3 | - | - |
| Other expenses | | (325,748) | (60,562) |
| Share of net profits of associates and joint ventures | | - | - |
| **Profit before income tax** | 3 | (388,958) | (65,465) |
| **Profit for the year** | 3 | (388,958) | (65,465) |
| | | | |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Loss on revaluation of land and buildings, net of tax | | - | - |
| Fair value gains on financial assets at fair value through other comprehensive income, net of tax | | - | - |
| | | - | - |
| **Items that will be reclassified subsequently to profit or loss when specific conditions are met:** | | | |
| **Share of other comprehensive income of associates accounted for using the equity method** | | | |
| Share of gains on revaluation of land and buildings of associates, net of tax | | - | - |
| | | - | - |
| **Total other comprehensive income for the year** | | - | - |
| **Total comprehensive income for the year** | | (388,958) | (65,465) |
| Profit attributable to owners of the entity | | (388,958) | (65,465) |
| Total comprehensive income attributable to owners of the entity | | (388,958) | (65,465) |

The accompanying notes form part of these financial statements.

**DUKE EXPLORATION LIMITED**
**ABN: 28 119 421 868**
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | 702,204 | 489,878 |
| Other assets | 7 | 20,914 | 11,839 |
| **TOTAL CURRENT ASSETS** | | 723,118 | 501,717 |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 8 | 393,413 | 170,539 |
| Other assets | 7 | 21,000 | 20,000 |
| **TOTAL NON-CURRENT ASSETS** | | 414,413 | 190,539 |
| **TOTAL ASSETS** | | 1,137,531 | 692,256 |
| | | | |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | 126,515 | 24,827 |
| **TOTAL CURRENT LIABILITIES** | | 126,515 | 24,827 |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | - | - |
| Borrowings | 9 | - | - |
| **TOTAL NON-CURRENT LIABILITIES** | | - | - |
| **TOTAL LIABILITIES** | | 126,515 | 24,827 |
| **NET ASSETS** | | 1,011,016 | 667,429 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 10 | 1,465,439 | 732,894 |
| Retained earnings | | (454,423) | (65,465) |
| **TOTAL EQUITY** | | 1,011,016 | 667,429 |

The accompanying notes form part of these financial statements.

**DUKE EXPLORATION LIMITED**
**ABN: 28 119 421 868**
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

| | Note | Issued Capital Ordinary $ | Retained Earnings $ | Revaluation Surplus $ | Financial Assets Reserve $ | General Reserve $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2017** | | 3 | | | | | 3 |
| Retrospective adjustment upon change in accounting policies - AASB 9 as well as Inventory | 1t | | | | | | - |
| **Balance at 1 July 2017 (restated)** | | 3 | - | - | - | - | 3 |
| **Comprehensive Income** | | | | | | | |
| Profit for the year | | | (65,465) | | | | (65,465) |
| Other comprehensive income for the year | | | | | | | - |
| **Total comprehensive income for the year attributable to owners of the entity** | | - | (65,465) | - | - | - | (65,465) |
| Transfers from retained earnings to general reserves | | | | | | | - |
| **Transactions with owners, in their capacity as owners, and other transfers** | | | | | | | |
| Dividends paid or provided for | | | - | | | | - |
| Issued Capital | | 820,291 | | | | | 820,291 |
| Less Capital Raising Costs | | (87,400) | | | | | (87,400) |
| **Total transactions with owners, and other transfers** | | 732,891 | - | - | - | - | 732,891 |
| **Balance at 30 June 2018** | | 732,894 | (65,465) | - | - | - | 667,429 |
| Cumulative adjustment upon change in accounting policy - AASB 15 | | | | | | | - |
| **Balance at 1 July 2018** | | 732,894 | (65,465) | - | - | - | 667,429 |
| **Comprehensive Income** | | | | | | | |
| Profit for the year | | | (388,958) | | | | (388,958) |
| Other comprehensive income for the year | | | | | | | - |
| **Total comprehensive income for the year attributable to owners of the entity** | | - | (388,958) | - | - | - | (388,958) |
| **Transactions with owners, in their capacity as owners, and other transfers** | | | | | | | |
| Dividends paid or provided for | | | - | | | | - |
| Issued Capital | | 732,545 | | | | | 732,545 |
| **Total transactions with owners and other transfers** | | 732,545 | - | - | - | - | 732,545 |
| **Balance at 30 June 2019** | | 1,465,439 | (454,423) | - | - | - | 1,011,016 |

The accompanying notes form part of these financial statements.

**DUKE EXPLORATION LIMITED**
**ABN: 28 119 421 868**
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | - | 69,843 |
| Payments to suppliers and employees | | (273,085) | (196,276) |
| Dividends received | | - | - |
| Interest received/other income | | 1,850 | 1,691 |
| Interest paid | | - | - |
| Income tax paid | | - | - |
| Net cash provided by/(used in) operating activities | 11a | (271,235) | (124,742) |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | - | - |
| Proceeds from sale of investments in equity instruments designated as at fair value through other comprehensive income | | - | - |
| Purchase of property, plant and equipment | | - | - |
| Purchase of investments in equity instruments designated as at fair value through other comprehensive income | | - | - |
| Loan payments made to related parties | | - | - |
| Loan repayments received from related parties | | - | - |
| Expenditure - exploation and evaluation | | (248,984) | (170,539) |
| Net cash provided by/(used in) investing activities | | (248,984) | (170,539) |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings - other | | - | - |
| Proceeds from Capital Raising | | 732,545 | 820,291 |
| Repayment of borrowings - other | | - | (51,225) |
| Payment of dividends on ordinary shares | | - | - |
| Net cash provided by/(used in) financing activities | | 732,545 | 769,066 |
| | | | |
| Net increase/(decrease) in cash held | | 212,326 | 473,785 |
| Cash and cash equivalents at beginning of financial year | | 489,878 | 16,093 |
| Cash and cash equivalents at end of financial year | 6 | 702,204 | 489,878 |

The accompanying notes form part of these financial statements.

The financial statements cover Duke Exploration Limited as an individual entity. Duke Exploration Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 29th October 2019 by the directors of the company.

**Note 1 Summary of Significant Accounting Policies**

**Basis of Preparation**

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

**(a) Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**Goodwill**

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Changes in the company's ownership interests in subsidiaries that do not result in the company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the company loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9: *Financial Instruments* , when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The amount of goodwill recognised on acquisition of each subsidiary in which the company holds a less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The company can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value ("full goodwill method") or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ("proportionate interest method"). In such circumstances, the company determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the company's cash-generating units or groups of cash-generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

**(b) 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 profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which: (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax 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 and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

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: (i) a legally enforceable right of set-off exists; and (ii) 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.

**(c) Fair Value of Assets and Liabilities**

The Company 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 Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. 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.

**(d) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Refer to Note 1(t) for further details on changes in accounting policy.

**(e) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the land and buildings' carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are recognised against fair value reserves directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| **Class of Fixed Asset** | **Depreciation Rate** |
|---|---|
| Plant and equipment | 20 – 100% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**(f) Leases (the company as lessee)**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(g) Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

**Classification and subsequent measurement**

Financial liabilities

Financial liabilities are subsequently measured at:

— amortised cost; or
— fair value through profit or loss

A financial liability is measured at fair value through profit and loss if the financial liability is:

— a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies
— held for trading; or
— initially designated as at fair value through profit or loss.

All other financial liabilities are liability is subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

— incurred for the purpose of repurchasing or repaying in the near term;
— part of a portfolio where there is an actual pattern of short-term profit taking; or
— a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value (if not designated as at fair value through profit or loss and not arising from a transfer of a financial asset) and subsequently measured at the higher of:

— the amount of loss allowance determined in accordance to AASB 9.3.25.3; and
— the amount initially recognised less the accumulative amount of income recognised in accordance with the revenue recognition policies

Financial assets

Financial assets are subsequently measured at:

— amortised cost;
— fair value through other comprehensive income; or
— fair value through profit or loss

Measurement is on the basis of two primary criteria:

— the contractual cash flow characteristics of the financial asset; and
— the business model for managing the financial assets

A financial asset that meets the following conditions is subsequently measured at amortised cost:

— the financial assets is managed solely to collect contractual cash flows; and
— the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

— the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle
— the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial asset that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The company initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so the performance of the financial liability that was part of a company of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial measurement of the financial instruments at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset liability is derecognised.

**Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

*Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

*Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria needs to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has been expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the company no longer controls the asset. i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity that the company elected to classify as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**Impairment**

The company recognises a loss allowance in the statement of financial position for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables; and
- loan commitments that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company use the following approaches to impairment, as applicable under AASB 9:

- the general approach
- the simplified approach
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

*General approach*

Under the general approach, at each reporting period, the company assesses whether the financial instruments are credit impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the company measures the loss allowance of the financial instruments at to an amount equal to the lifetime expected credit losses; and
- there is no significant increase in credit risk since initial recognition, the company measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

*Simplified approach*

The simplified approach does not require tracking of changes in credit risk at on every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that result from transactions that are within the scope of AASB 15, and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

*Purchased or originated credit-impaired approach*

For a financial asset that is considered to be credit impaired (not purchased or originated credit-impaired on acquisition or originations), the company measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower
- a breach of contract (e.g. default or past due event)
- where a lender has granted to the borrower a concession, due to borrower's financial difficulty, that the lender would not otherwise consider
- the likelihood that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

*Low credit risk operational simplification approach*

If a financial asset is determined to have low credit risk at the initial reporting date, the company assumes that the credit risk has not increased significantly since initial recognition and, accordingly, it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such determination that the financial asset has low credit risk, the company applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which its operates.

*Recognition of expected credit losses in financial statements*

At each reporting date, the company recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. Amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

**(h) Impairment of Assets**

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment* . Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(i) Investments in Associates**

Associates are companies over which the company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the company's share of net assets of the associate company. In addition, the company's share of the profit or loss and other comprehensive income of the associate is included in the company's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the company's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the company and the associate are eliminated to the extent of the company's interest in the associate.

When the company's share of losses in an associate equals or exceeds its interest in the associate, the company discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Upon the associate subsequently making profits, the company will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

The requirements of AASB 9: *Financial Instruments* are applied to determine whether it is necessary to recognise any impairment loss with respect to the company's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136: *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

**(j) Intangible Assets Other than Goodwill**

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

**(k) Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each of the company'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 currency.

**Transactions 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 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 underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

**(l) Employee Benefits**

**Short-term employee benefits**

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**(m) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(n) Cash and Cash Equivalents**

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

**(o) Summary of Significant accounting policies**

**Revenue recognition**

The company has applied AASB 15: Revenue from Contracts with Customers using the cumulative effective method and therefore the comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 111: Construction Contracts. The details of accounting policies under AASB 118 and AASB 111 are disclosed separately if they are different from those under AASB 15, and the impact of changes is disclosed in Note 3.

**(p) Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

**(q) Borrowing Costs**

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 profit or loss in the period in which they are incurred.

**(r) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**(s) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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

**(t) New and Amended Accounting Policies Adopted by the Company**

**Initial application of AASB 9: *Financial instruments***

The company has adopted AASB 9 with a date of initial application of 30 June 2018. As a result the company has changed its financial instruments accounting policies as detailed in this note.

Considering the initial application of AASB 9 during the financial period, financial statement line items have been affected for the current and prior period. The following tables summarise the adjustments made to the affected financial statement line items:

AASB 9 requires retrospective application with some exceptions (i.e. hedge accounting in terms of the Standard).

There were no financial assets/liabilities which Duke Exploration Limited had previously designated as at fair value through profit or loss under AASB139: Financial Instruments: Recognition and Measurement that were subject to reclassification/elected reclassification upon the application of AASB 9. There were no financial assets/liabilities which Duke Exploration Limited has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

Duke Exploration Limited applied AASB 9: Financial Instruments (as revised in July 2014) and the related consequential amendments to other Accounting Standards. New requirements were introduced for the classification and measurement of financial assets and financial liabilities as well as for impairment and general hedge accounting.

The date of initial application was 1 July 2018. The company has applied AASB 9 to instruments that have not been derecognised as at 1 July 2018 and has not applied AASB 9 to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that have not been derecognised as at 1 July 2018 have been restated where appropriate.

Financial assets in terms of AASB 9 need to be measured subsequently at either amortised cost or fair value on the basis of the entity's business model and the cash flow characteristics of the financial assets, as follows:

— debt investments that are held within a business model whose goal is to collect the contractual cash flows, and that have contractual cash flows that are purely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;

— debt investments that are held within a business model whose goal is both to collect contractual cash flows and to sell it, and that have contractual cash flows that are purely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income;

— all other debt investments and equity investments are measured at fair value through profit or loss.

Despite the aforementioned, the company may make irrevocable election at initial recognition of a financial asset as follows:

— the company may choose to present subsequent changes in fair value of an equity investment , that is not held for trading and not a contingent consideration in a business combination, in other comprehensive income; and

— the company may choose to present a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if this choice significantly reduces an accounting mismatch.

When an equity investment at fair value through other comprehensive income has a gain or loss previously recognised in other comprehensive income, it is not reclassified to profit or loss. However when a debt investment at fair value through other comprehensive income is derecognised, the gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to impairment.

The directors of Duke Exploration Limited determined the existing financial assets as at 1 July 2018 based on the facts and circumstances that were present and determined that the initial application of AASB 9 had the following effect:

— the company 's investments in equity instruments not held for trading that were previously classified as available for sale financial assets and were measured at fair value have been designated as at fair value through other comprehensive income. The movement in fair value on these equity instruments is accumulated in the financial assets reserve;

— financial assets as held-to-maturity and loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding; and

— financial assets measured at fair value through profit or loss (AASB 139) are still measured as such under AASB 9.

This note contains a table that shows the effect in classification of the financial assets upon initial application.

*Impairment*

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per the previous Standard applicable (AASB 139). To reflect changes in credit risk, this expected credit loss model requires the company to account for expected credit losses since initial recognition.

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument has not shown significant change since initial recognition, an expected credit loss amount equal to 12 month expected credit loss is used. However a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables as the loss allowance is measured at lifetime expected credit loss.

**(u) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements 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 company.

**Key estimates**

*Impairment*

The company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**Key judgements**

(i) *Provision for impairment of receivables*

Not Applicable

(ii) *Employee benefits*

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the directors consider that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

**(v) New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the company. The directors have decided not to early adopt any of the new and amended pronouncements. The following sets out their assessment of the pronouncements that are relevant to the company but applicable in future reporting periods.

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

The company has chosen not to early-adopt AASB 16. However, the company has conducted a preliminary assessment of the impact of this new Standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees, as the Standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new standard. There are, however, two exceptions allowed: short-term and low-value leases.

**Basis of preparation**

The accounting for the company's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the company from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated as the company has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

**Note 2 Revenue and Other Income**

The company has recognised the following amounts relating to revenue in the statement of profit or loss:

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| Revenue from contracts with customers | 2a | - | - |
| Revenue based on AASB 118 and AASB 111 | | | |
| Other sources of revenue | 2b | 1,850 | 1,694 |
| | | 1,850 | 1,694 |
| Other income | 2c | - | - |
| **(a) The company has disaggregated revenue into various categories in the following table:** | | | |
| The revenue is disaggregated by products service lines: | | | |
| Sale of goods | | - | - |
| | | - | - |
| **Timing of revenue recognition** | | | |
| Products and services transferred to customers: | | | |
| At a point in time | | | |
| Over time | | | |
| | | - | - |
| **(b) Other sources of revenue** | | | |
| Dividends received | | | |
| – other corporations | | - | - |
| Dividends received from related parties | | | |
| Total dividend revenue | | - | - |
| Interest received | | | |
| – related | | - | - |
| – unrelated | | 1,850 | 1,694 |
| Total interest received | | 1,850 | 1,694 |
| Other revenue | | - | - |
| **Total other sources of revenues** | | 1,850 | 1,694 |
| **(c) Other income** | | | |
| – Gain on disposal of property, plant and equipment | | - | - |
| – Gain on disposal of non-current assets | | - | - |
| – Other income | | - | - |
| | | - | - |

**Transaction price allocated to the remaining performance obligation**

The table below shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (partially unsatisfied) at the reporting date.

| | 2020 $ | 2019 $ |
|---|---|---|
| After-sale maintenance support | | |

The company applies the practical expedient in paragraph in AASB 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

**Note 3 Profit for the year**

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit before income tax from continuing operations includes the following specific expenses: | | |
| **(a) Expenses** | | |
| Cost of sales | - | - |
| Interest expense for financial liabilities not classified as at fair value through profit or loss | | |
| – external | - | - |
| – related entities | - | - |
| – other related parties | - | - |
| Total finance costs | - | - |
| Employee benefits expense: | | |
| – contributions to defined contribution superannuation funds | | |
| **Other expenses:** | | |
| Foreign currency translation losses | - | - |
| Loss allowance on contract assets | - | - |
| Rental expense on operating leases: | | |
| – minimum lease payments | - | - |
| – contingent rents | - | - |
| – sublease payments | - | - |
| | - | - |
| Contingent rents on finance leases | - | - |
| **(b) Significant Revenue and Expenses** | | |
| The following significant revenue and expense items are relevant in explaining the | | |
| Write-off of obsolete inventory included within cost of sales | - | - |
| Loss on disposal of property, plant and equipment | - | - |
| Loss on disposal of non-current investments | - | - |

**Note 4 Key Management Personnel Compensation**

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Short-term employee benefits | 3,000 | |
| Post-employment benefits | | |
| | 3,000 | - |

**Note 5 Auditor's Remuneration**

| | 2019 $ | 2018 $ |
|---|---|---|
| Remuneration of the auditor: | | |
| – auditing or reviewing the financial statements | 16,750 | 4,000 |
| – taxation services | - | - |
| | 16,750 | 4,000 |

The auditor of Duke Exploration Limited is Robert White of Advanced Accountants RTM Pty Ltd.

**Note 6 Cash and Cash Equivalents**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| Cash at bank and on hand | | 702,204 | 489,878 |
| Short-term bank deposits | | - | - |
| | 13 | 702,204 | 489,878 |

| | 2019 $ | 2018 $ |
|---|---|---|
| Reconciliation of cash | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | |
| Cash and cash equivalents | 702,204 | 489,878 |
| Short-term bank deposits | - | - |
| Bank overdrafts | - | - |
| | 702,204 | 489,878 |

**Note 7 Other assets**

| | 2019 $ | 2018 $ |
|---|---|---|
| CURRENT | | |
| Prepayments | - | - |
| GST Receivable | 20,914 | 11,839 |
| | 20,914 | 11,839 |
| NON-CURRENT | | |
| Prepayments | 21,000 | 20,000 |
| | 21,000 | 20,000 |

**Note 8 Intangible Assets**

| | 2019 $ | 2018 $ |
|---|---|---|
| DEVELOPMENT COSTS | | |
| Cost | - | - |
| Accumulated amortisation | (26,110) | - |
| Exploration and Evaluation Capitalised | 419,523 | 170,539 |
| Carrying amount | 393,413 | 170,539 |

| **Reconciliation of the carrying amount** | **Development costs $** |
|---|---|
| **Year ended 30 June 2018** | |
| Balance at the beginning of year | |
| Additions - Exploration and Evaluation Capitalised | 170,539 |
| Disposals | |
| Amortisation charge | |
| **Carrying amount at 30 June 2018** | 170,539 |
| **Year ended 30 June 2019** | |
| Balance at the beginning of the year | 170,539 |
| Additions - Exploration and Evaluation Capitalised | 248,984 |
| Disposals | |
| Amortisation charge | (26,110) |
| **Carrying amount at 30 June 2019** | 393,413 |

Capitalised development costs represent proprietary knowledge developed through research into improved materials handling and processing procedures.

Capitalised development costs have finite useful lives and are amortised on a straight-line basis over four years. The current amortisation charge for development costs is included under depreciation and amortisation expense in the statement of profit or loss.

**Note 9 Trade and Other Payables**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| CURRENT | | | |
| Unsecured liabilities: | | | |
| Trade payables | | 101,688 | - |
| Sundry payables and accrued expenses | | 4,000 | 4,000 |
| Other payables (net amount of GST payable) | | - | - |
| Amounts payable to: | | | |
| — ultimate parent entity | | - | - |
| — other related parties | | 20,827 | 20,827 |
| | 9(a) | 126,515 | 24,827 |
| NON-CURRENT | | | |
| Unsecured liabilities | | | |
| Trade payables | | - | - |
| Sundry payables and accrued expenses | | - | - |
| Employee benefits | | - | - |
| Amounts payable to: | | | |
| — ultimate parent entity | | - | - |
| — other related parties | | - | - |
| | 9(a) | - | - |

**(a) Financial liabilities at amortised cost classified as trade and other payables**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| Trade and other payables | | | |
| — Total current | | 126,515 | 24,827 |
| — Total non-current | | - | - |
| | | 126,515 | 24,827 |
| Less other payables (net amount of GST payable) | | | |
| Financial liabilities as trade and other payables | 13 | 126,515 | 24,827 |

**Note 10 Issued Capital**

| | 2019 $ | 2018 $ |
|---|---|---|
| 28,514,861 (2018: 18,939,000) fully paid ordinary shares | 1,552,839 | 820,294 |
| Less Capital Raising Costs | (87,400) | (87,400) |
| | 1,465,439 | 732,894 |

| **(a) Ordinary shares** | 2019 No. | 2018 No. |
|---|---|---|
| At the beginning of the reporting period | 18,939,000 | 3 |
| Shares Issued | 9,575,861 | 18,938,997 |
| At the end of the reporting period | 28,514,861 | 18,939,000 |

Ordinary shareholders participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**(b) Capital Management**

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| Total borrowings | | - | - |
| Trade and other payables | 9 | 126,515 | 24,827 |
| Less cash and cash equivalents | 6 | (702,204) | (489,878) |
| Net debt | | (575,689) | (465,051) |
| Total equity | | 1,011,016 | 667,429 |
| Total capital | | 435,327 | 202,378 |
| Gearing ratio | | 0% | 0% |

**Note 11 Events after the Reporting Period**

Other than the following, The directors are not aware of any significant events since the end of the reporting period.

NIL

**Note 12 Cash Flow Information**

| | 2019 $ | 2018 $ |
|---|---|---|
| **(a) Reconciliation of cash flows from operating activities with profit after income tax** | | |
| Profit after income tax | (388,958) | (65,465) |
| Non-cash flows in profit | | |
| — Depreciation and amortisation | (26,110) | |
| — Net profit/(loss) on disposal of property, plant and equipment | - | - |
| — Net profit/(loss) on disposal of investments | - | - |
| — Share of associate's net profit/(losses) after dividends | | |
| — Impairment losses on financial assets | - | - |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries | | |
| — (Increase)/decrease in trade and other receivables | 1,000 | 89,843 |
| — (Increase)/decrease in inventories | | |
| — (increase)/decrease in investments and intangible assets | (248,984) | (170,539) |
| — (increase)/decrease in deferred income tax assets | | |
| — Increase/(decrease) in trade and other payables | 101,688 | (37,133) |
| — Increase/(decrease) in tax liabilities | 9,074 | (29,414) |
| — Increase/(decrease) in deferred taxes payable | | |
| — Increase/(decrease) in provisions | | |
| Net cash provided by operating activities | (552,289) | (212,708) |

### Note 13 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks.

The totals for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments* as detailed in the accounting policies to these financial statements, are as follows:

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Financial assets at amortised cost** | | | |
| Cash and cash equivalents | 6 | 702,204 | 489,878 |
| | | 702,204 | 489,878 |
| Investments in equity instruments designated as at FVTOCI | | | |
| — at fair value | | | |
| — listed investments | | - | - |
| — unlisted investments | | - | - |
| | | - | - |
| **Total financial assets** | | 702,204 | 489,878 |
| **Financial liabilities** | | | |
| Financial liabilities at amortised cost | | | |
| — Trade and other payables | 9(a) | 126,515 | 24,827 |
| — Borrowings | | - | - |
| **Total financial liabilities** | | 126,515 | 24,827 |

### Note 14 Company Details

The registered office of the company is:

Duke Exploration Limited
Level 2
400 Queen Street
Brisbane Qld 4000

The principal place of business is:

Duke Exploration Limited
23 Musgrave Street
Fig Tree Pocket Qld 4069

**DUKE EXPLORATION LIMITED**
**ABN: 28 119 421 868**
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Duke Exploration Limited, the directors declare that:

1. The financial statements and notes, as set out on pages 8 to 26, are in accordance with the Corporations Act 2001 and:

   (a) comply with the accounting policies described in Note 1 to the financial statements; and

   (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company.

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.

Director

***Eugene Stephen Iliescu***

Dated this 29th day of October 2019

**DUKE EXPLORATION LIMITED**
**ABN: 28 119 421 868**
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUKE EXPLORATION LIMITED**

**Opinion**

We have audited the financial report of Duke Exploration Limited (the company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

the accompanying financial report of the company is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

**Basis for Opinion**

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Duke Exploration Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2019, 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 preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

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 company'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 company'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 company 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 company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the company 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.

| | | | | |
|---|---|---|---|---|
| Auditor's name and signature: | Robert White | | | |
| Name of firm: | Advanced Accountants RTM Pty Ltd | | | |
| Address: | 19 Abney Street<br>Moorooka QLD<br>4105 | | | |
| Dated this | 29th | day of | October | 2019 |