# **2018** | Annual Report

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Welcome,

It is my pleasure to present the Stavely Minerals Limited 2018 Annual Report.

It has been an extremely busy year for Stavely Minerals. The success over the past year was built upon the judicious application of some advanced techniques in the search for the best mineralised portion of the core of the copper-gold porphyry at the Thursday's Gossan prospect. These techniques included short-wavelength infra-red analysis of clay alteration minerals, sulphur isotope analyses and good-old sweat looking and relooking at the geology and mineralogy with the assistance of notable experts in their field, like Dr Greg Corbett. While my technical background is metallurgy and I do have an understanding of the techniques the exploration team is employing, we are aware that it is challenging to convey the excitement of the Stavely team as the results to-date all indicate we are in the hunt for a significant copper-gold porphyry.

Since July 2017 your Company began intercepting significant widths of strong copper-gold mineralisation in RC drilling at the Thursday's Gossan porphyry prospect. As the drilling programme at Thursday's Gossan was accelerated with the completion of diamond drill hole tails to some of the shallower RC drill holes, Stavely started reporting copper-gold intercepts in excess of 100 metres length. Of greatest encouragement was that it was apparent that the drilling to-date was not yet in the best portion of the mineralised system and that even higher-grades could be expected when that 'core' was located.

As the drilling programmes developed with the addition of two and then three diamond drill rigs, your Company began to intercept porphyry 'M' veins over intervals in excess of 100 metres drill length. The significance was immediately recognised as these veins were characteristic of gold-rich porphyry systems and are typically located proximal to the mineralised 'core' Stavely Minerals had been seeking.

However, our target copper-gold porphyry is 500 million years old, has been structurally disrupted and our exploration team have successfully followed the 'M' veins across the Low-Angle Structure (LAS) and are now pursuing them across the North-South Structure. This challenge is not unexpected given the age of the system and the regional structural history.

At the Fairview gold prospect, broad intervals of moderate-grade gold mineralisation were intercepted from surface. This material is currently subject to metallurgical test work to assess its amenability to low-cost processing and gold recovery.

At the Yarram Park Project, drill testing of Induced Polarisation (IP) geophysical targets provided some surprising results with circa 200 metre widths of bedded sedimentary units with abundant disseminated pyrrhotite sulphides. While these results are ambiguous, there remains a porphyry to be found at the Toora West prospect as indicated by previous drilling from 2017.

Likewise, the Mount Stavely porphyry prospect remains untested despite confirmation from Geoscience Australia and the Geological Survey of Victoria analysis from stratigraphic drilling they conducted - as part of their Stavely Arc research project - showing the chemistry of pyrites peripheral to Mount Stavely are chemically similar to notable gold mineralised systems at Lihir (epithermal) and Wafi-Golpu (porphyry).

In the Ravenswood Project, the Area 8 low-sulphidation gold and the Connolly North Ravenswood-style intrusive-related gold prospects have been progressed to drill-ready status and are set for drill testing in late 2018.

While the primary focus in 2018-19 will remain the Thursday's Gossan copper-gold porphyry search, other opportunities in both Victoria and Queensland will also be pursued.

Your Company continues to run 'lean and mean' providing excellent value for the investment dollar considering approximately 80% of expenditure, including field-based salaries, is spent on 'in-the-ground' activities. As a Board, we believe this spend on 'in the ground' activities is the key to success for Shareholder returns.

I and the rest of the Stavely Minerals' Board and management team sincerely appreciate your continued support and are working hard to deliver the rewards we all are seeking through significant discovery.

BILL PLYLEY

# Overview

## EXPLORATION

The Company's assets, located in western Victoria and in northern Queensland, are prospective for copper-gold mineralisation with existing VMS-style and porphyry deposits. The two flagship projects, Ararat and Stavely, host Inferred Mineral Resources that contain over 130Kt of copper and over 19,000 ounces of gold plus accessory zinc and silver. Stavely Minerals is targeting a Cadia-type copper-gold porphyry (Stavely and Yarram Park Projects), and a Degrussa-style VMS (volcanogenic massive sulphide) deposit at the Ararat Project.

The Fairview low-sulphidation mesothermal to epithermal gold prospect, in the Stavely Project, is potentially analogous to a Lake Cowal gold deposit. There are also indications of 'Stawell-style' and 'intrusive-related' gold mineralisation at the Ararat Project.

The Ravenswood Project in northern Queensland is prospective for intrusive-related gold mineralisation, porphyry hosted copper-molybdenum and epithermal gold mineralisation, as well as rare-earth elements.

Almost 10,000 metres of diamond drilling has been conducted at the Thursday's Gossan copper-gold prospect, in the Stavely Project, at the Toora West copper-gold prospect, in the Yarram Park Project, at the Black Range JV Project and at the Carroll's and Honeysuckle prospects in the Ararat Project in western Victoria during the 2018 financial year.

Reconnaissance mapping, rock-chip sampling, soil and stream sediment sampling have been conducted at the Ravenswood Project in Queensland. IP Surveys were conducted at the Connolly North prospect in the Ravenswood West Project and Area 8 prospect in the Dreghorn Project in Queensland.

At Connolly North, there are large areas of flat, platy quartz vein float which could be indicative of a larger vein system similar to those at the Sarsfield and Nolans deposits at the Ravenswood Gold Mine, ~15km away. Surface sampling at Connolly North returned rock chip samples with results of up to 14.8 g/t gold and several stream sediment results in excess of 1 g/t gold. The IP survey at Connolly North identified a coherent IP chargeability anomaly.

At Area 8, the quartz textures and geochemical signature are consistent with a low-sulphidation epithermal gold-silver system. The IP survey at Area 8 returned a well constrained resistivity anomaly.

Since late 2017, drilling at Thursday's Gossan has been systematically progressing with the objective of discovering copper-gold mineralisation associated with an alkalic porphyry system, similar to the Cadia Valley or the North Parkes copper-gold mines in central New South Wales. The Cadia-Ridgeway copper-gold deposit had total production to March 2012 of 76.7Mt at 0.63% copper and 1.83 g/t gold for a contained 483,000 tonnes of copper and 4.5 million ounces of gold[1]. Gold production was at a net negative cash-cost due to the revenue from copper production paying for the mining and processing costs.

Drilling at Thursday's Gossan has been continuous since November 2017, with two drill rigs operating since March 2018. Drilling is targeting the main body of the mineralised copper-gold porphyry below the Low-Angle structure (LAS).

The recent drilling at Thursday's Gossan has enhanced the Company's confidence that the observations of multiple phases of alteration, veining and mineralisation and the types of veining are all strong indications of proximity to the main body of the mineralised copper-gold porphyry, and that we are at the top of the system. The main body of the mineralisation should be preserved.

The current drilling programme at Thursday's Gossan is targeting porphyry 'M' veins as a vector to the hottest part of the mineralised system, where higher-grade copper and significantly higher-grade gold are expected.

The maiden drilling during the previous year at the Toora West prospect, in the Yarram Park Project, successfully confirmed the existence of a 'blind' intrusive complex compositionally and texturally consistent with a porphyry copper-gold environment. Petrographic analysis of core confirmed porphyry-style alteration.

[1] Source: Porter GeoConsultancy Pty Ltd.

*Photo 1. Grampian's in the mist.*

The Toora West porphyry prospect remains a priority target for follow-up drilling.

Drilling of an intensive IP chargeability anomaly during the current year at Toora West intersected a sequence of silicified and deformed black shale containing laminated and disseminated pyrrhotite and vein-hosted pyrite, with minor arsenopyrite, the significance of which is still under review.

The drilling at the Carroll's VMS prospect and Honeysuckle Gold prospect in the Ararat Project were the final exploration programmes co-funded by the Victorian Government TARGET minerals exploration initiative. Unfortunately the drilling did not return any significant results.

**CORPORATE**

In February/March 2018, Stavely Minerals completed a capital raising which was underpinned by a Share Placement of 20 million shares at 34 cents per share to sophisticated and institutional investors to raise $6.8 million before costs. The Share Placement was substantially oversubscribed. In addition, the Company completed a Share Placement Plan (SPP), also at 34 cents to allow existing shareholders to participate in the capital raising on the same terms as the Share Placement. Stavely offered eligible shareholders the opportunity to subscribe for new shares up to a maximum value of $15,000 per eligible shareholder to raise a further $2 million.

The funds raised through the combined Share Placement and SPP are primarily being used to accelerate drilling programmes in western Victoria testing a suite of porphyry copper-gold targets, including the advanced exploration at the Thursday's Gossan prospect where recent deep diamond drilling has delivered exciting results indicating proximity to a potentially large-scale copper-gold porphyry. Follow-up exploration programmes were also planned in Queensland targeting epithermal and intrusive-related gold mineralisation.

The Share Subscription Agreement between Stavely Minerals and Titeline Drilling Pty Ltd, under which the Company has the option to settle monthly drilling charges by way of a cash payment and/or shares, is still in place. Approximately $1.13 million of the total $2 million facility has been used as at the end of June 2018.

During the year, the Company received payments of $86k from the Victorian Government under the TARGET exploration initiative for exploration that was completed under the initiative during the previous year. Refunds for co-funded drilling conducted at the Ararat Project during the year have yet to be received. All the exploration for which Stavely Minerals has been eligible for TARGET co-funding has now been completed.

The Company distributed Exploration Development Incentive Scheme (EDI) credits of $422,455 (27.5% of the Company's eligible 2016 - 2017 exploration expenditure of $1.536 million) to Shareholders in June 2018. The EDI credits were distributed to Shareholders pro-rata relative to the number of shares held and the total shares on issue (122,985,569) on the Record date of 21 February 2018. The EDI enables eligible exploration companies to create exploration credits by giving up a portion of their carried forward losses from eligible exploration expenditure and distributing these exploration credits to equity shareholders.

The EDI was intended to encourage shareholder investment in exploration companies undertaking greenfields mineral exploration in Australia.

During the year, the Company entered into an Earn-in and Joint Venture Agreement with Black Range Metals Pty Ltd ("Black Range" - a wholly-owned subsidiary of Navarre Minerals Limited, "Navarre Minerals") for Black Range's Exploration Licence 5425. EL5425 is located adjacent to Stavely's Yarram Park Project and surrounds the 100%-owned Stavely Copper Project in western Victoria (Figure 1).

Key terms of the agreement included:

- Stavely Minerals may earn up to an 80% interest in EL5425 in two stages –
  - In the first earn-in stage, Stavely Minerals must sole fund $150,000 of exploration costs in the first two years to earn a 51% interest, and
  - After completion of the first earn-in stage, Stavely Minerals may elect to proceed to the second earn-in stage,
  - In the second earn-in stage, Stavely Minerals must sole fund an additional $300,000 of exploration costs in the next three years to earn an additional 29% interest,
  - After the second earn-in period, both parties are to contribute to Joint Venture expenditure on a pro-rata basis relative to their participating interest or dilute their interest in accordance with a specified formula,
  - If a participant's interest falls below 5%, that participant's interest will convert to a Net Smelter Return (NSR) royalty of 1%,
  - If a participant's interest is converted to the NSR royalty, the other participant is granted an option to redeem the NSR royalty for the payment of $200,000 within two years of the conversion,
  - All other Joint Venture terms are as per industry standard.

Stavely Minerals had a total of $6.56M cash on hand at the end of June 2018, with a further $0.87M available pursuant to the Share Subscription Agreement with the drilling contractor, Titeline Drilling Pty Ltd.

# Review of Operations

## Background

The Ararat and Stavely Projects are located approximately 200 kilometres west of Melbourne and are respectively just west of the regional centre of Ararat, Victoria and just east of the regional town of Glenthompson (Figure 1).

The Victorian Projects include exploration tenements with a total area of 252 square kilometres of 100% owned and 201 square kilometres of joint venture tenure.

The Projects have excellent infrastructure and access with paved highways, port connection by railroad and a 62 MW wind farm located 8 kilometres from the Stavely Project. The primary land use is grazing and broad acre cropping.

The Ravenswood Project is located 90km south of Townsville and 10km south west of Ravenswood in north Queensland. The Mingela-Ravenswood - Burdekin Dam road passes down the eastern boundary of the Project (Figure 2).

The Queensland Project includes four granted exploration licences with a total area of 548 square kilometres. The topography is made up of rolling hills alternating with sandy flats. The Burdekin River runs through the Project area. Access within the tenements is by 4WD via station tracks.

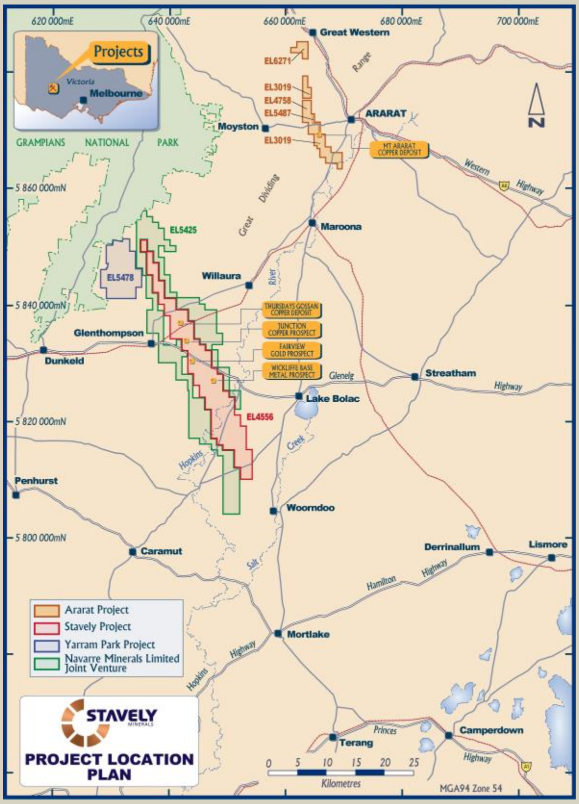


*Figure 1. Ararat, Stavely, Yarram Park Project Location Plan.*

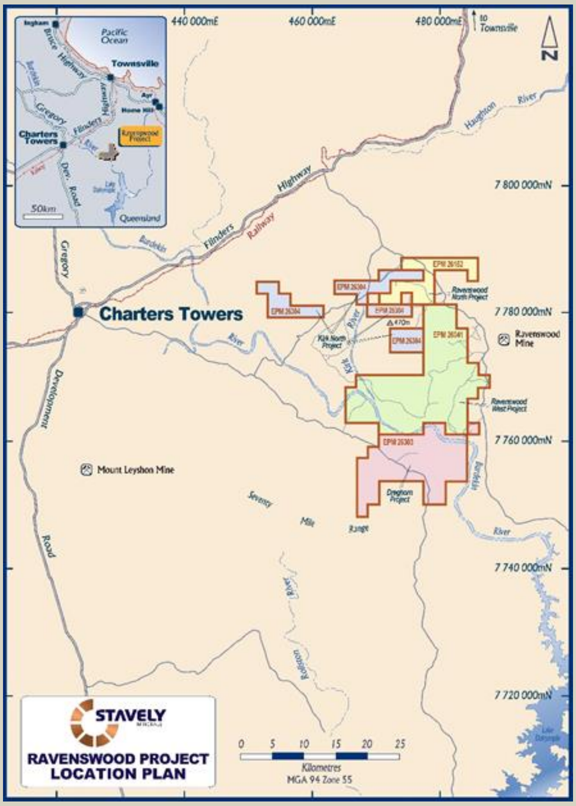


*Figure 2. Ravenswood Project Location Plan.*

## Regional Geology Western Victoria

The Ararat and Stavely Projects, while only 40 kilometres apart, are hosted within materially different geologic domains (Figure 3).

The Ararat Project is hosted in the Stawell - Bendigo zone of the Lachlan Fold Belt and is comprised of Cambrian age mafic volcanic and pelitic sedimentary units of the Moornambool Metamorphics which were metamorphosed to greenschist to amphibolite facies during the Silurian period.

The Stavely Project is hosted in Cambrian age fault-bounded belts of submarine calc-alkaline volcanics, namely the Mount Stavely Volcanics, structurally in contact with the older quartz-rich turbidite sequence of the Glenthompson Sandstone and the Williams Road Serpentinite.

These sequences were deformed in the Late Cambrian Delamerian Orogeny. Seismic traverses and a recent study by the Victorian Department of Economic Development, Jobs, Transport and Resources in western Victoria have supported the interpretation of an Andean-style convergent margin environment for the development of the buried Stavely Arc beneath the Stavely Volcanic Complex and environs (Schofield, A. (ed) 2018). This regional architecture is considered conducive to the formation of fertile copper / gold mineralised porphyry systems (Crawford et al, 2003) as is the case with the Macquarie Arc in New South Wales, which hosts the Cadia Valley and North Parkes copper-gold mineralised porphyry complexes.

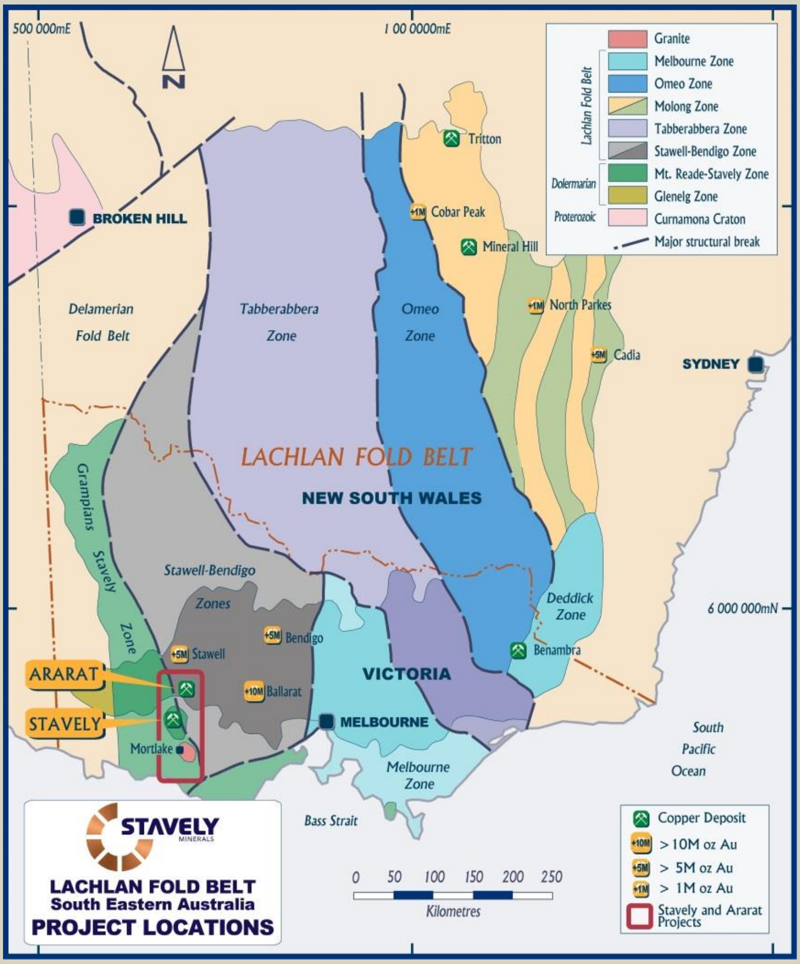


*Figure 3. Geology of south-eastern Australia.*

The Lachlan Fold Belt and Delamerian sequences are in fault contact through large-scale thrusting along the east dipping Moyston Fault (Cayley and Taylor, 2001).

Largely unconformably overlying both these domains by low-angle décollement is a structural outlier of the younger Silurian fluvial to shallow marine sandstone to mudstone sequences of the Grampians Group.

## Regional Geology North Queensland

The dominant rock types within the Ravenswood Project are typically I-type calcic hornblende-biotite granodiorite to tonalite of the Ravenswood Batholith of Middle Silurian to Middle Devonian age (Figure 4).

A major structure, the Mosgardies Shear Zone, cuts east-west through the Ravenswood Batholith adjacent to three gold centres. The shear zone is up to 2.5km wide. The main reef at Ravenswood, the ”Buck Reef”, is contained within the Mosgardies Shear Zone. The majority of faults in the area are transverse to the Morgardies Shear Zone and trend 30º to 40º either side of north. The bulk of the auriferous quartz reefs and leaders are hosted by shears with NW to NS orientation.

Mineralisation is associated with shear hosted quartz veins and is dominated by pyrite-chalcopyrite-galena-gold. The veins are generally narrow and of limited strike length. This style of mineralisation is widespread but of low tonnage.

Copper as chalcopyrite (and molybdenum-gold) mineralisation is also associated with quartz porphyry stocks. Mineralisation is contained both in sparse quartz veins and disseminated within the intrusive.

More widespread phyllic (quartz-sericite) and potassic (biotite) alteration is reported suggestive of porphyry style alteration and mineralisation. This style of deposit offers bulk tonnage potential.

Cu-Au-Mo occurs in intrusive breccias ("pipes") at Three Sisters and Mt Wright outside the Project area. Paleo-placer gold deposits occur in Quaternary sediments on the flanks of Tertiary laterites.

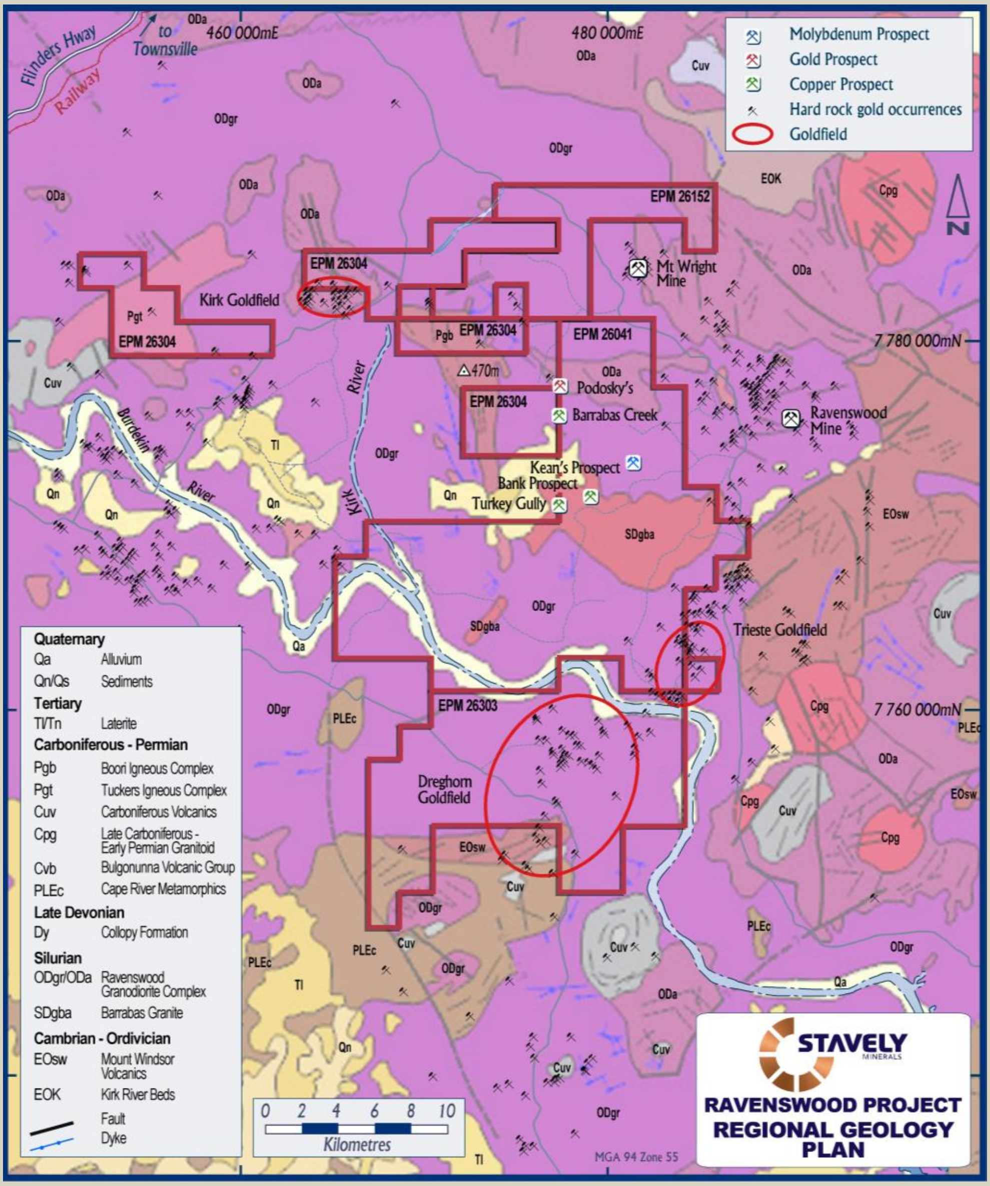


*Figure 4. Ravenswood West Project – Regional Geology Plan.*

## Mineral Resources

The Ararat and Stavely Projects host Mineral Resources reported in compliance with the 2012 JORC Code:

### (a) Ararat Project Mineral Resource

In the Ararat Project, the Mount Ararat prospect hosts a Besshi-style VMS deposit with an estimated (using a 1% Cu lower cut-off) Total Mineral Resource of

**1.3Mt at 2.0% copper, 0.5 g/t gold, 0.4% zinc and 6 g/t silver for a contained 26kt of copper, 21,000 ounces of gold, 5.3kt of zinc and 242,000 ounces of silver** (Table 1).

Refer to ASX release dated 8 September 2015 for all criteria for sections 1, 2 and 3 of the JORC Code Table 1 and 2.

The Mt Ararat Copper Indicated and Inferred Resource Estimate, August 2017, remains unchanged from the Mt Ararat Copper Indicated and Inferred Resource Estimate, August 2015. There has been no additional drill data collected from the deposit and although economic circumstances affecting the mining industry have changed since 2015, the underlying assumptions utilised in 2015 Mineral Resource estimate remain valid.

### (b) Stavely Project Mineral Resource

In the Stavely Project, at the Thursday's Gossan prospect, a near surface secondary chalcocite enriched blanket with an estimated (using a 0.2% Cu grade lower cut-off) – 28Mt at 0.4% copper for 110kt of contained copper (Table 2).

The Thursday's Gossan Chalcocite Copper Inferred Mineral Resource Estimate remains unchanged from the Thursday's Gossan Chalcocite Copper Inferred Resource Estimate, August 2013. Although economic circumstances affecting the mining industry have changed since 2013, the underlying assumptions utilised in the 2013 Mineral Resource estimate remain valid.

***Table 1. The Mount Ararat Resource Estimate.***

| Reporting Threshold | Classification | Domain | Tonnes: Cu Resource (KT) | Cu Grade (%) | Tonnes: Au,Ag,Zn Resource (KT) | Au Grade (ppm) | Ag Grade (ppm) | Zn Grade (%) |
|---|---|---|---|---|---|---|---|---|
| 1.0% Cu | Indicated | Supergene | 50 | 2.4 | | | | |
| | | Fresh | 200 | 2.2 | | | | |
| | | **Total** | **250** | **2.2** | | | | |
| | Inferred | Weathered | 170 | 1.7 | 170 | 0.5 | 3.1 | 0.1 |
| | | Supergene | 30 | 2.2 | 80 | 0.4 | 4.4 | 0.4 |
| | | Fresh | 870 | 1.9 | 1070 | 0.5 | 6.2 | 0.4 |
| | | **Total** | **1070** | **1.9** | **1320** | **0.5** | **5.7** | **0.4** |
| | **Total 1% Cu** | | **1320** | **2.0** | **1320** | **0.5** | **5.7** | **0.4** |
| 2.0% Cu | Indicated | Supergene | 30 | 2.9 | | | | |
| | | Fresh | 80 | 2.9 | | | | |
| | | **Total** | **110** | **2.9** | | | | |
| | Inferred | Weathered | 30 | 2.9 | 30 | 1.3 | 7.9 | 0.2 |
| | | Supergene | 20 | 3.0 | 50 | 0.3 | 4.2 | 0.4 |
| | | Fresh | 230 | 3.0 | 310 | 0.6 | 7.7 | 0.6 |
| | | **Total** | **280** | **3.0** | **390** | **0.6** | **7.3** | **0.5** |
| | **Total 2% Cu** | | **390** | **2.9** | **390** | **0.6** | **7.3** | **0.5** |

*Table shows rounded estimates. This rounding may cause apparent computational discrepancies. Significant figures do not imply precision. Nominal copper grade reporting cuts applied. Three material types reported as varied economic factors will be applicable to the deposit base on reported material types.*

*Table 2. The Thursday's Gossan Chalcocite Copper Inferred Resource Estimate (reviewed in 2017).*

| Thursday Gossan Chalcocite Copper August 2013 Inferred Resources *(JORC 2012 Edition)* | | | | | |
|---|---|---|---|---|---|
| Copper Mineralisation Subdivision | | Lower Cu Cut (%) | Tonnes (MT) | Copper Grade (%) | Contained Copper (KT) |
| Mineralisation greater than 10m thick | 10 to 20m thick | 0.20 | 8.5 | 0.3 | 28.1 |
| | | 0.30 | 4.5 | 0.4 | 18.4 |
| | | 0.50 | 0.5 | 0.7 | 3.4 |
| | Greater than 20m thick | 0.20 | 14.4 | 0.4 | 61.7 |
| | | 0.30 | 9.7 | 0.5 | 49.7 |
| | | 0.50 | 3.1 | 0.8 | 24.8 |
| | ***Sub Total (greater than 10m thick)*** | ***0.20*** | ***22.9*** | ***0.4*** | ***89.8*** |
| | | ***0.30*** | ***14.2*** | ***0.5*** | ***68.0*** |
| | | ***0.50*** | ***3.7*** | ***0.8*** | ***28.2*** |
| Mineralisation less than 10m thick | | 0.20 | 5.1 | 0.3 | 17.1 |
| | | 0.30 | 2.5 | 0.4 | 10.6 |
| | | 0.50 | 0.2 | 0.9 | 2.1 |
| **Total Mineralisation** | | **0.20** | **28.1** | **0.4** | **106.9** |
| | | **0.30** | **16.7** | **0.5** | **78.6** |
| | | **0.50** | **3.9** | **0.8** | **30.3** |

*Table shows rounded estimates. This rounding may cause apparent computational discrepancies. Significant figures do not imply precision. Nominal copper grade reporting cuts applied. Three mineralised thicknesses reported as varied economic factors are likely to be applicable to each.*

**Ararat Project**

The Ararat Project is prospective for VMS copper-gold-zinc-silver mineralisation as well as 'Stawell-style' and intrusion-related gold mineralisation.

Diamond drilling was conducted at the Honeysuckle Gold prospect and at the Carroll's VMS prospect to follow-up IP chargeability anomalies and a off-hole DHEM anomaly, respectively (Figure 5).

The drilling was part of the Victorian Government TARGET exploration initiative co-funding.

The Mount Ararat copper deposit and the Carroll's prospect lie within a small portion of a much more extensive prospective exhalative horizon on the contact between the Carroll's Amphibolite and the Lexington Schist.

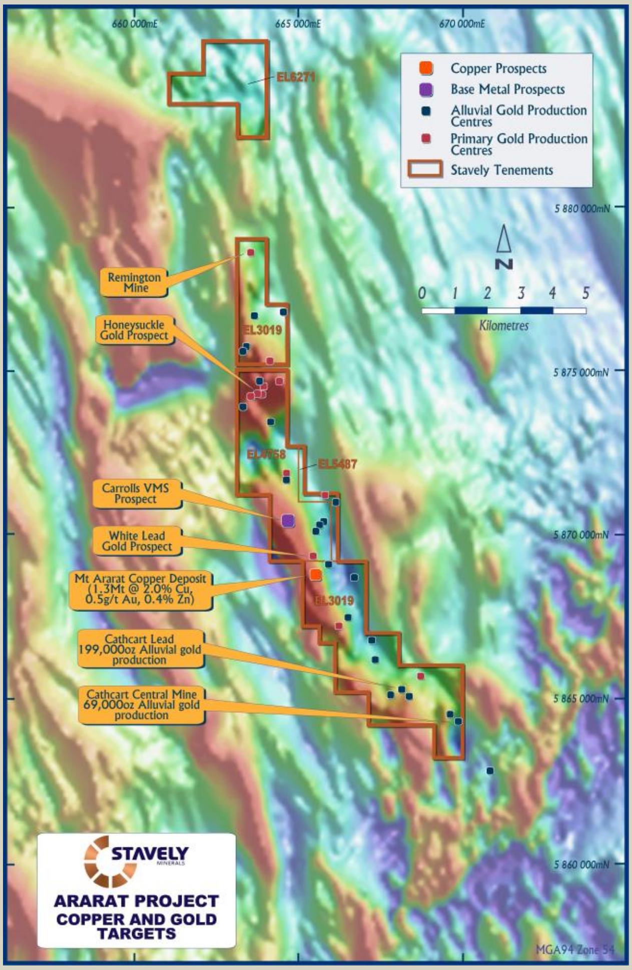


*Figure 5. Ararat Project Copper and Gold Targets.*

The Ararat Goldfield has significant historic alluvial and deep lead production of circa 640,000 ounces of gold but with no known substantial hard-rock source.

### i. Carroll's Base Metal Prospect

One diamond hole (SADD010) was drilled at the Carroll's VMS prospect to test the off-hole response returned from the DHEM survey conducted on diamond hole SADD005 completed during the previous year (Figure 6).

Drill hole SADD005 returned a distal off-hole EM response, which was modelled to establish the projected downhole depth. Simultaneous modelling with the Fixed Loop Electromagnetic data collected in 2013 indicated a projected intersection at a depth of 500m. This predicted depth agreed with independent modelling of only the DHEM data. SADD010 was drilled to a depth of 527.5m and intercepted fine grained, foliated metabasalt to 182.7m, then a highly foliated quartz-biotite schist unit interbedded with metabasalt to the end of hole. Disseminated trace pyrite, chalcopyrite, sphalerite and pyrrhotite were observed throughout the hole. Selective sampling of the drilling did not return any significant gold or base metals intercepts or any interesting pathfinder elements.

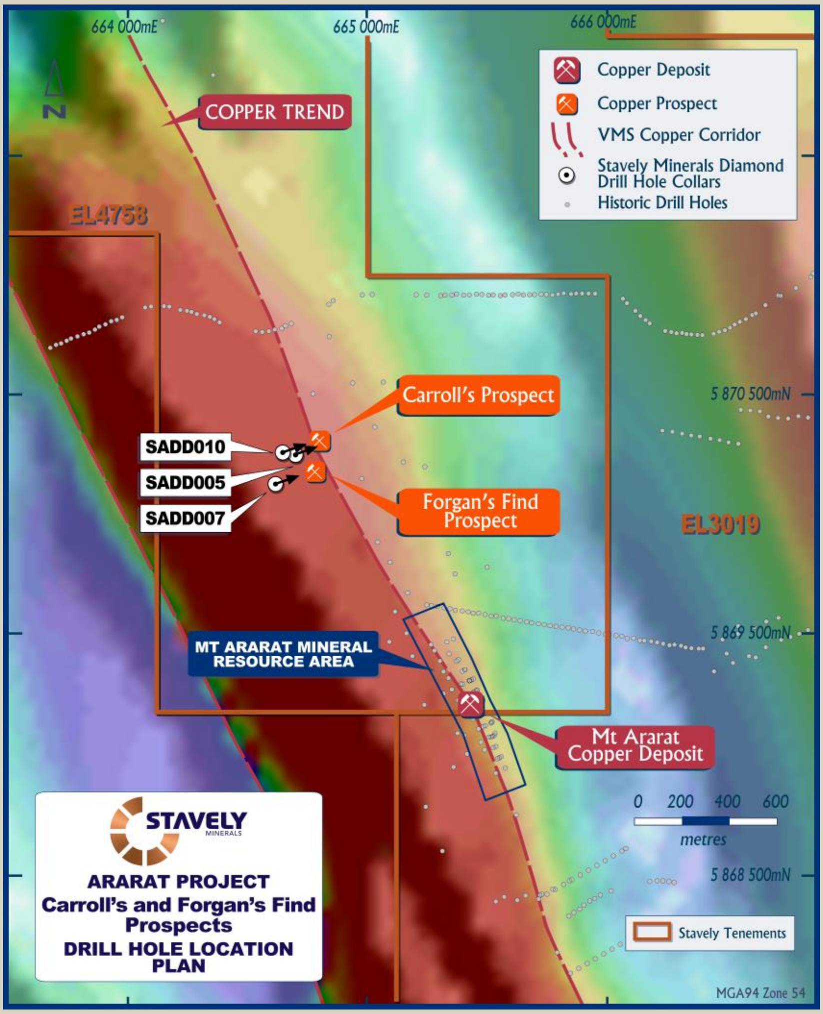


*Figure 6. Carroll's VMS Prospect Drill Collar Location Plan.*

### ii. Honeysuckle Mine Gold Prospect

There are a number of historic mines, including the Honeysuckle Mine, hosted within a late-phase intrusive granite in the Ararat Project (Figure 7). Field investigations have identified alteration which may indicate the presence of a reasonably sized gold mineralised system, although historic mining focussed upon narrow, high-grade reefs.

Gold in the Honeysuckle area was discovered in 1897 with reported grades of up to 7.5 g/t gold. With the gold being hosted within an intrusive, IP was considered likely to be effective in identifying sulphides potentially associated with gold mineralisation. An IP survey was conducted at Honeysuckle during the previous year.

A low amplitude anomalous IP chargeable feature is located beneath the historical Honeysuckle gold workings and this was the target of diamond drill hole SADD008. This hole was drilled to a depth of 317m and predominantly intersected a medium grained granodiorite. Trace disseminated chalcopyrite is present through the granodiorite to a depth of 45m. Magnetite is present throughout the granodiorite. The granodiorite is cross cut by the occasional micro diorite porphyry and by weakly developed 1-40mm linear quartz ± biotite veins.

In addition, a Category 1 chargeability anomaly was identified in the IP which is moderately resistive and coincident with a strong magnetic feature. It is mapped as coincident with a section of the Carroll's Amphibolite.

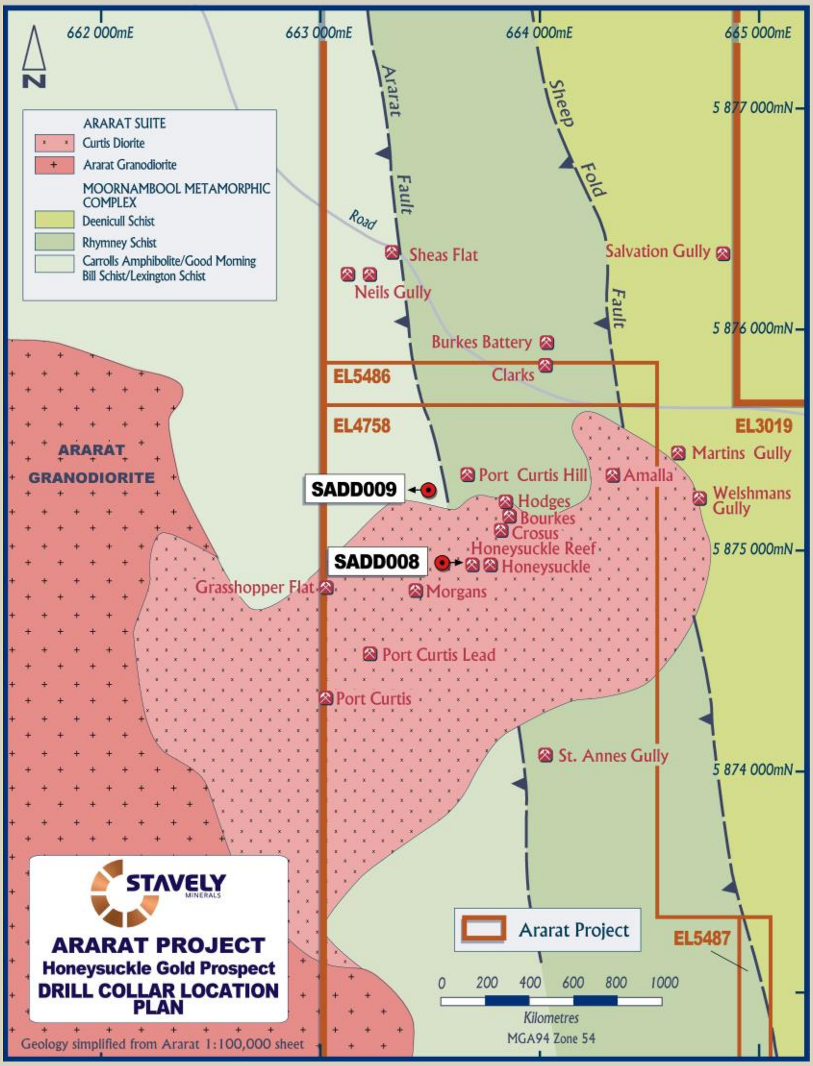


*Figure 7. Honeysuckle Gold Prospect Drill Collar Location Plan.*

Elsewhere the amphibolite is not chargeable and this anomaly was the target of diamond drill hole SADD009. This hole intersected a fine grained, variably foliated, strongly magnetic meta-basalt from fresh rock at 20.7m to the end of hole at 293.6m.

Selective sampling was conducted on the two holes but failed to return any significant results.

### Stavely Project

The Stavely Project hosts several significant opportunities for discovery of porphyry copper-gold and VMS base-metals +/- gold deposits.

During the year, the Company conducted diamond drilling at the Thursday's Gossan porphyry prospect, completing three diamond tails on RC pre-collars for 378m and fifteen diamond holes for 7,815m.

Exploration during the year has supported Stavely Minerals' conceptual model that there were two phases of mineralisation at Thursday's Gossan. The early porphyry phase is a low-grade copper-only phase that previous explorers had identified and is of little economic interest. Stavely's original interest in the Project was based on the recognition, in previous explorer's drill core, of evidence of intense high-level acid-sulphate alteration and hematite alteration of feldspars associated with strong copper-gold mineralisation. The Company's belief was that these attributes were indications that a second-phase copper-gold porphyry existed at depth that had not yet been seen in the historical drilling (Figure 8).

In late 2017 drilling encountered the first incidence of 'M' veining at Thursday's Gossan. In drill hole SMD015 a ~100m interval of magnetite-actinolite and quartz-magnetite ± pyrite ± chalcopyrite veining was intercepted and interpreted to be comparable to the E-1A and E-1B phases of magnetite veins noted from the Cadia-Ridgeway copper-gold deposit, which occur at the outer extent of the high-grade gold-related E-2 veins. Hole SMD017 intercepted ~80m of moderate to strong quartz-magnetite 'M' veins which were similar to the E-1A and E-1B veins as well as the wider, laminated quartz magnetite 'M' veins with fine-grained chalcopyrite inter-grown with the magnetite similar to the E-2 veins described at Cadia-Ridgeway.

Laminated 'M' veins were intersected in holes SMD017 and SMD024 below the LAS but were developed in conditions that were too cool to be conducive to the precipitation of chalcopyrite and bornite.

Apart from the LAS, some additional structural complexities have been encountered relating to a north-south fault. This is not unexpected, with a porphyry that is 500Ma old, however the offset on the fault is not projected to be significant.

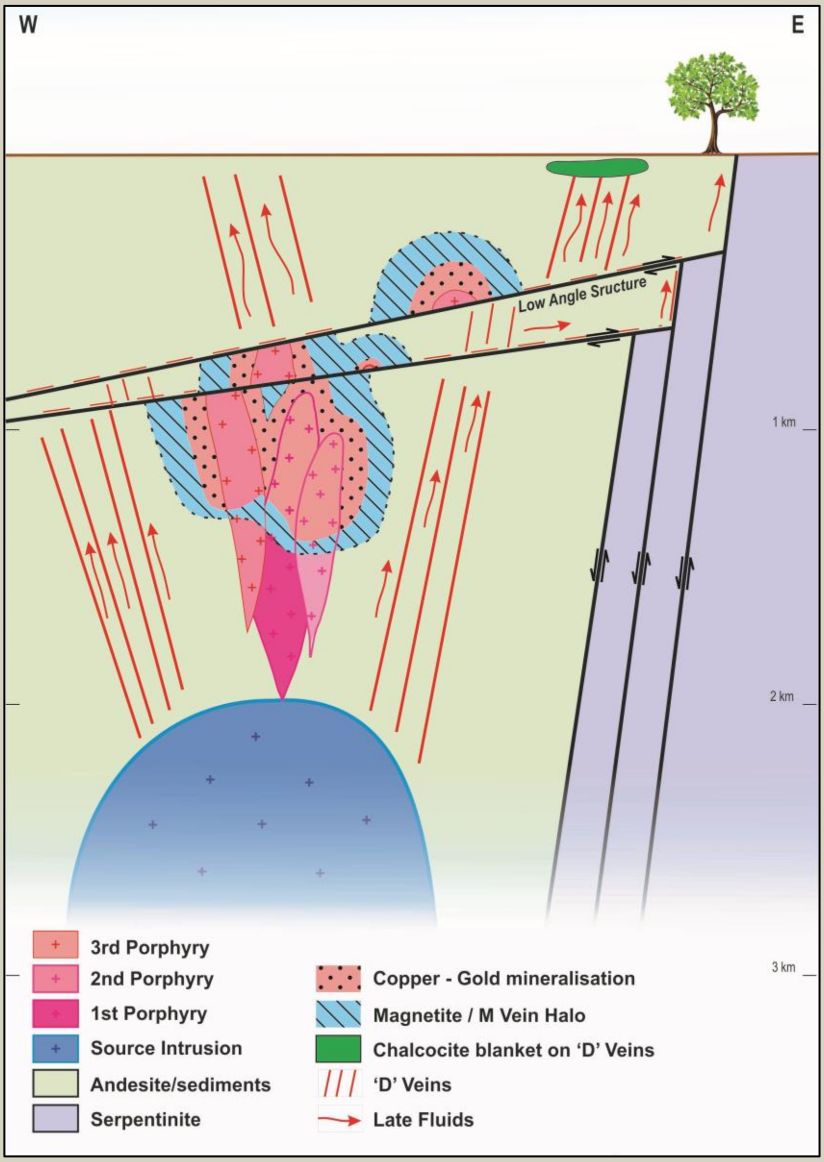


*Figure 8. Thursday's Gossan Porphyry Conceptual Model.*

Current drilling at Thursday's Gossan is pusuing the porphyry 'M' veins as a vector to the hotter part of the mineralised system, where higher-grade copper and significantly higher-grade gold are expected.

**i. Thursday's Gossan Porphyry Prospect**

During the year three diamond tails (STRC014D, STRC019D and STRC020D) were completed on pre-collars that were drilled during the previous year at Thursday's Gossan (Figure 10).

Four sections of five holes each for a total of 20 RC holes were drilled during the previous year to confirm an interpretation that high-grade copper-gold mineralisation near surface at Thursday's Gossan is hosted by sulphide-rich 'D' veins in structures 'leaking' from a porphyry intrusion at depth.

The drilling confirmed that the fluids responsible for the copper-gold mineralsiation at Thursday's Gossan have migrated up structures from a porphyry source below and returned wide intervals of copper-gold mineralisation over a strike extent of more that 400 metres, with the mineralised zone remaining open in all directions.

Results included:

- 124 metres at 0.31% copper, 0.12 g/t gold and 13 g/t silver, including
  - 13 metres at 0.31% copper 0.35 g/t gold and 18 g/t silver, and including
  - 6 metres at 2.35% copper, 1.05 g/t gold and 48 g/t silver
- 36 metres at 0.43% copper, 0.20 g/t gold and 7 g/t silver, including
  - 20 metres at 0.65% copper, 0.30 g/t gold and 12 g/t silver, including
  - 1 metre at 5.17% copper, 1.26 g/t gold and 24 g/t silver
- 85 metres at 0.35% copper, 0.18 g/t gold and 3 g/t silver, including
  - 35 metres at 0.44% copper, 0.28 g/t gold and 4 g/t silver
- 53 metres at 0.37% copper, 0.15 g/t gold and 8 g/t silver, including
  - 23 metres at 0.57% copper, 0.20 g/t gold and 12 g/t silver
- 88 metres at 0.22% copper, 0.10g/t gold and 4 g/t silver, including
  - 3 metres at 0.92% copper, 0.32 g/t gold and 28 g/t silver

Of significance is the fact that the best copper-gold mineralised intercept was associated with chalcopyrite / bornite mineralisation from 157-158 metres in drill hole STRC008D, which returned 5.17% copper and 1.26 g/t gold. The target potassic core to the porphyry system should host the best developed bornite mineralisation and this result is considered a strong indication for the presence of high-grade copper-gold mineralisation in the deeper target zone.

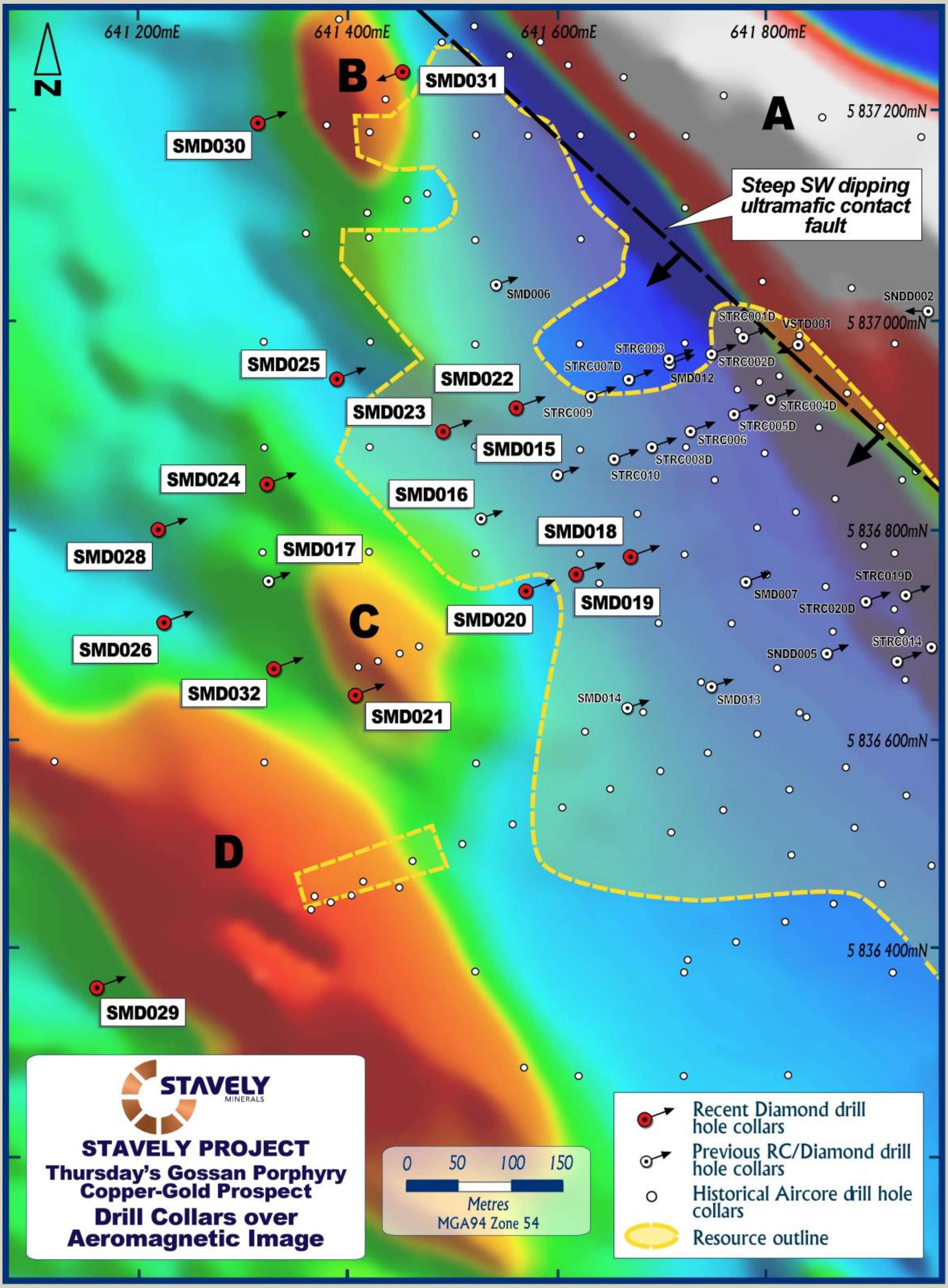


*Figure 9. Thursday's Gossan Porphyry Copper-Gold Prospect – Drill Collars over aeromagnetic 1VD image.*

From November 2017 to June 2018, fifteen diamond drill holes, SMD013 to SMD026, inclusive and SMD028, were drilled at Thursday's Gossan. The drilling was targeting the potassic 'core' where the best developed copper and gold grades are expected to be loacted and is yet to be discovered.

SMD013 was drilled to a depth of 574 metres targeting the down-dip extension of the mineralisation intersected in STRC019D at 153m (27 metres at 0.39% copper and 0.16 g/t gold including 3 metres at 2.65% copper and 1.17 g/t gold) (Figure 11).

SMD013 returned a broad interval of copper mineralisation from very shallow depth:

- 283 metres at 0.16% copper from 26 metres drill depth, including:
  - 34 metres at 0.31% copper in secondary chalcocite-enriched mineralisation from 27 metres drill depth; and
  - 6 metres at 0.50% copper, 0.14 g/t gold; and
  - 9metres at 0.34% copper, 0.10 g/t gold; and
- 1 metre at 8.44% lead and 98 g/t silver hosted in a narrow galena vein at 412 metres located well below the LAS.

SMD014 was drilled to a depth of 739m to the west of SMD013 (Figure 11) and returned:

- 28 metres at 0.28% copper in secondary chalcocite-enriched mineralisation from 32 metres drill depth,
- 6 metres at 0.38% copper from 357 metres,
- 4 metres at 0.34 g/t gold, 8.83 g/t silver and 0.39% copper from 388 metres, and
- 31 metres at 0.46% zinc from 483 metres in an interval in which sphalerite and rhodochrosite has been noted.

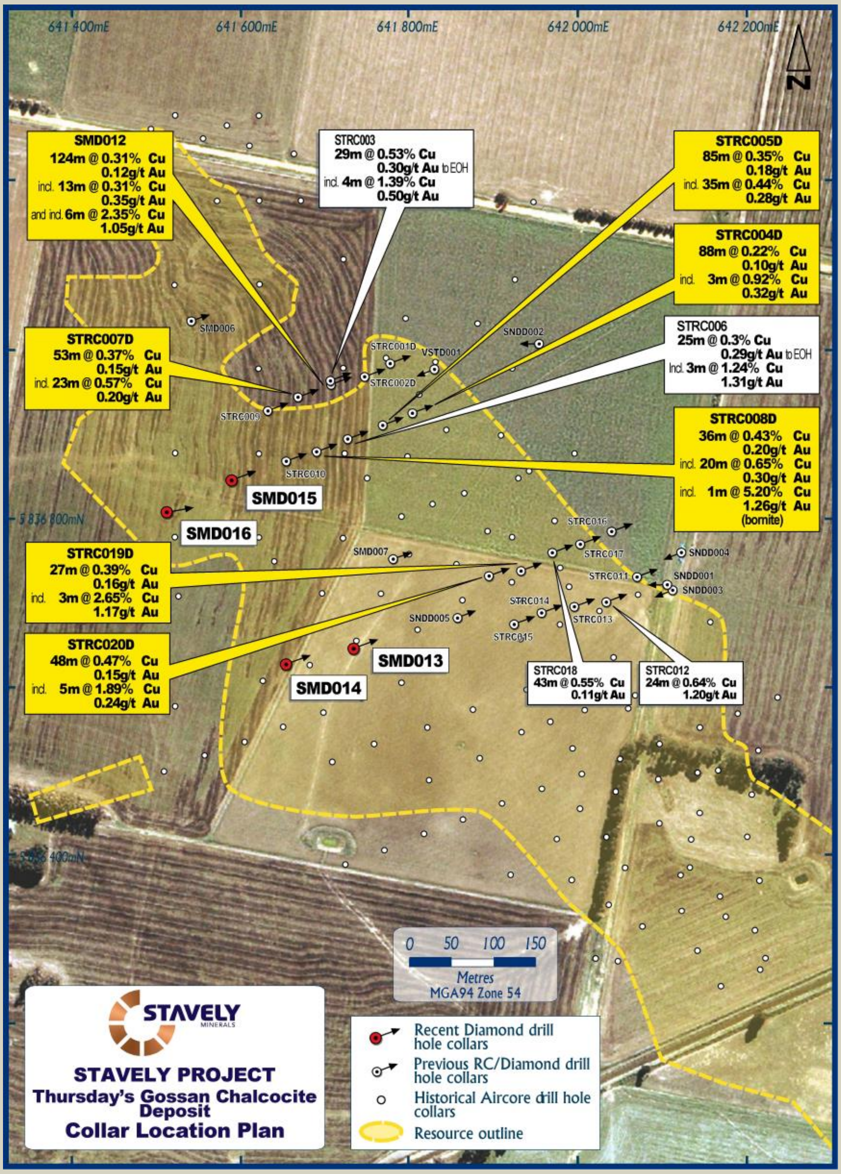


*Figure 10. Thursday's Gossan Chalcocite Deposit – Collar Location Plan.*

Drill hole SMD015 was drilled to a depth of 448 metres to the west of STRC008D which returned an anomalous interval of 36 metres at 0.43% copper and 0.20 g/t gold, intersected a ~100 metres interval of porphyry 'M' veins above the LAS (Figure 12). Massive pyrite-chalcopyrite-bornite-chalcocite posphyry 'D' veins returned:

- 4 metres at 5.85% copper and 0.27 g/t gold from 196 metres, including
  - 1 metre at 10.75% copper and 0.60 g/t gold from 196 metres, and
- 1 metre at 1.28% copper and 0.27 g/t gold from 204m
- 9 metres of 2.62% copper and 0.28 g/t gold from 248 metres, including
  - 4 metres at 5.41% copper and 0.35 g/t gold from 253 metres, including
  - 1 metre at 14.75% copper and 0.33 g/t gold from 254 metres.

SMD016 was collared 85 metres to the west of SMD015 and drilled to a depth of 468 metres to test at depth the mineralisation and alteration seen in SMD015 and STRC008 (Figure 12). SMD016 intersected magnetite-rich porphyry 'M' veins above the LAS, as well as the first instance of sulphide-rich porphyry 'D' veins below the LAS, with assay results including:

- 92 metres at 0.34% copper, 0.12 g/t gold and 4.4 g/t silver from 307 metres, including
  - 4 metres at 1.83% copper, 0.23 g/t gold and 7.5 g/t silver from 333 metres, and
  - 30 metres at 0.50% copper, 0.22 g/t gold and 7.3 g/t silver from 343 metres, including
    - 2 metres at 1.75% copper, 0.54 g/t gold and 37 g/t silver from 367 metres

SMD017 was drilled 210 metres to the west of SMD016 to a depth of 794 metres (Figure 12). Significantly, the hole intersected 'M' veining below the LAS along with porphyry 'A' style quartz veins.

Assay results from drill hole SMD017 included:

- 37 metres at 0.17% copper from 21 metres in the chalcocite-enriched blanket outside the current Mineral Resource including 3 metres at 0.75 g/t gold, demonstrating the presence of significant shallow gold in this system not yet included in the Mineral Resource;
- 2 metres at 2.80 g/t gold, 15.3 g/t silver and 2.06% zinc from 653 metres in quartz-carbonate veins demonstrating significant telescoping of late/cooler carbonate-base metals-precious metals mineralisation overprinting earlier porphyry-style mineralisation

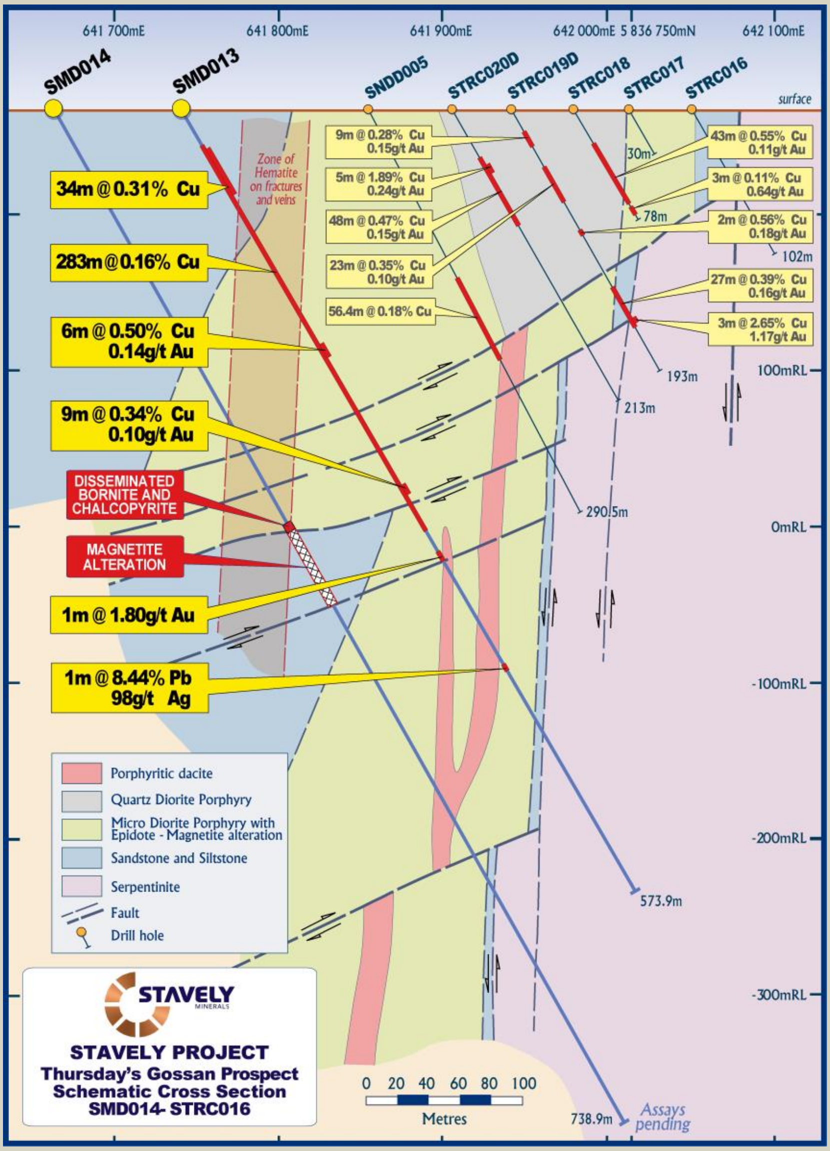


*Figure 11. Thursday's Gossan Prospect – Schematic Cross Section SMD014 – STRC016.*

Drill hole SMD018 was drilled on a section 80 metres to the south of SMD015 (Figure 9), however due to drilling issues was abandoned at 96.3 metres. Assays were pending at year end.

SMD019 was drilled to test beneath SMD018 to a depth of 478 metres (Figure 9). Beneath the LAS drilling encountered the occassional 'D' vein and then carbonate - pyrite ± base metal veins towards the end of hole. Assays were pending at year end.

Drill hole SMD020 was drilled to a depth of 465 metres to test beneath SMD019 (Figure 9). Drill hole SMD020 intercepted a large, low-grade interval of 194 metres at 0.16% copper with patchy gold from 180 metres depth (Figure 13) including:

- 13 metres at 0.14 g/t gold and 0.33% copper from 337 metres depth, including
  - 3 metres at 0.29 g/t gold and 0.44% copper
- 1 metre at 0.45 g/t gold and 0.22% copper from 180 metres

- 1 metre at 0.28 g/t gold and 0.48% copper from 222 metres
- 1 metre at 0.35 g/t gold and 0.81% copper from 302 metres
- 2 metres at 0.19 g/t gold and 0.60% copper from 310 metres
- 1 metre at 0.31 g/t gold and 0.86% copper from 324 metres

The broad low-grade mineralised interval was associated with moderate quartz-pyrite ± chalcopyrite ± molybdenite stockwork veins and occasional quartz-pyrite ± molybdenite ± chalcopyrite ± chalcocite porphyry 'D' veins. These intercepts are considered part of the peripheral inner-propyllitic alteration halo.

SMD021 was drilled 140 metres to the south east to a depth of 535 metres (Figure 9). Above the LAS a narrow interval of strongly disseminated and veined magnetite with trace quartz-magnetite-pyrite-chalocopyrite veining was observed. Assays were pending at year end.

Drill hole SMD022 was drilled on a section 80 metres to the north-west of SMD015 to a depth of 406 metres (Figure 9). Massive and sutured quartz ± magnetite ± pyrite ± chalcopyrite stockwork veins occurred within the quartz diorite from 40m to 180m. SMD022 returned sporadic intervals of copper-gold mineralisation associated with porphyry 'D' veins including (Figure 14):

- 1 metre at 0.26% copper and 0.22 g/t gold from 165 metres
- 1 metre at 0.20% copper and 0.26 g/t gold from 173 metres
- 1 metre at 0.26% copper and 0.19 g/t gold from 177 metres
- 22 metres at 0.13% copper from 233 metres with patchy gold including

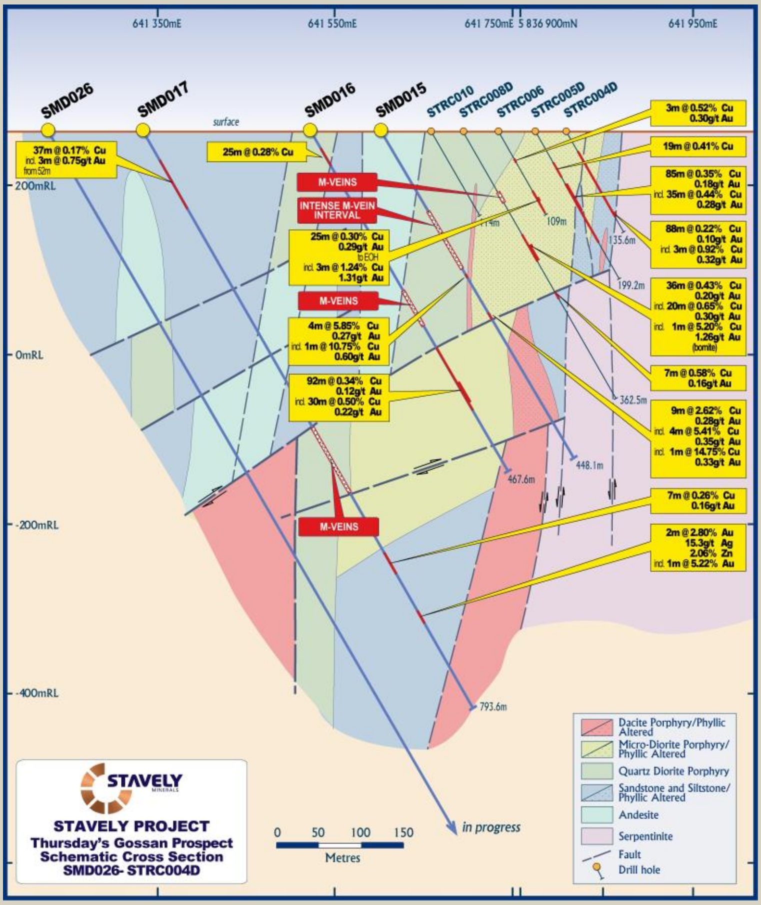


*Figure 12. Thursday's Gossan Prospect – Schematic Cross Section SMD026 – STRC004D*

  - 2 metres at 0.21% copper and 0.14 g/t gold copper from 253 metres which is associated with chalcopyrite intergrown with magnetite in 'M' veins.
- 62 metres at 0.17% copper from 293 metres with patchy gold including
  - 1 metre at 0.77% copper and 0.36 g/t gold from 293 metres
  - 1 metre at 0.77% copper and 0.48 g/t gold from 300 metres
  - 1 metre at 0.46% copper and 0.17 g/t gold from 314 metres
  - 1 metre at 0.29% copper and 0.23 g/t gold from 311 metres, and
  - 11 metres at 0.54% copper, 0.10 g/t gold and 22.5 g/t silver from 344 metres, including
    - 1 metre at 1.94% copper, 0.18 g/t gold, 77.4 g/t silver from 344 metres, and
    - 1 metre at 1.75% copper, 0.44 g/t gold, 183 g/t silver from 350 metres

which is associated with peripheral propylitic hematite alteration with epidote veins and patches.

Drill hole SMD023 was also drilled on the section 80 metres to the north-west of SMD015 (Figure 9) to a depth of 331m. Quartz ± magnetite ± hematite stockwork veining was first observed at a depth of 120m. This veining became intense from 150m down to 224m and subsequently decreased in intensity down to a depth of 243m. SMD023 intersected strong peripheral mineralisation in sulphide-rich porphyry 'D' veins, with assays including (Figure 14):

- 14 metres at 0.36% copper from 29 metres
- 16 metres at 0.34% copper from 74 metres, including
  - 3 metres at 0.44% copper, 0.16 g/t gold and 9 g/t silver from 85 metres
- 10 metres at 0.37% copper, 0.20 g/t gold and 93 g/t silver from 130 metres, including
  - 3 metres at 0.51% copper, 0.31 g/t gold and 206 g/t silver from 132 metres.

SMD024 was drilled to a depth of 510 metres to test the area beneath the LAS north of the 'M' vein intersection in SMD017 (Figure 9). A major north-south trending structure was intersected at 375m, beneath which strong quartz-magnetite ± pyrite ± chalcopyrite veining which has been overprinted by strong pyrite veining was encountered.

SMD024 intersected strong polymetallic mineralisation in porphyry 'D' and 'M' veins, including (Figure 14):

- 3 metres at 1.24% copper, 0.35 g/t gold, 13 g/t silver, 2.45% zinc and 0.40% lead from 190 metres
- 70 metres at 0.22% copper from 372 metres, including:
  - 3m at 1.01% copper, 0.16 g/t gold and 8 g/t silver from 372 metres
- 13 metres at 0.38% copper and 4 g/t silver from 479 metres.

Drill hole SMD025 was drilled to a depth of 399 metres to test the area north of the 'M' vein intersection in SMD023 (Figure 9). Occasional pyrite ± chalcopyrite ± chalcocite veins are seen, as well as weak to moderate quartz-magnetite ± hematite stockwork veining in a variable hematite altered quartz diorite porphyry. It is interpreted that the drill hole intersected the edge of this unit and veining above the LAS and is offset by the LAS. Assays were pending at year end.

SMD026 was drilled to a depth of 796 metres to test the area beneath the LAS down dip of the 'M' vein intersection in SMD017 (Figure 9). Above the LAS fine trace disseminated magnetite was observed in the quartz diorite porphyry with minor quartz-magnetite veins and hematite alteration. Beneath the LAS and to the east of the north-south shear sulphidic black shales were intersected with moderate anhydrite veining and weak to moderate pyrite and carbonate veining. Assays were pending at year end.

Drill hole SMD028 was drilled to a depth of 777 metres to test the down-dip extensions of the 'M' veins in SMD024 (Figure 9).

East of the north-south fault intermittent magnetite has been encountered with patches of weak potassic alteration. Assays were pending at year end.

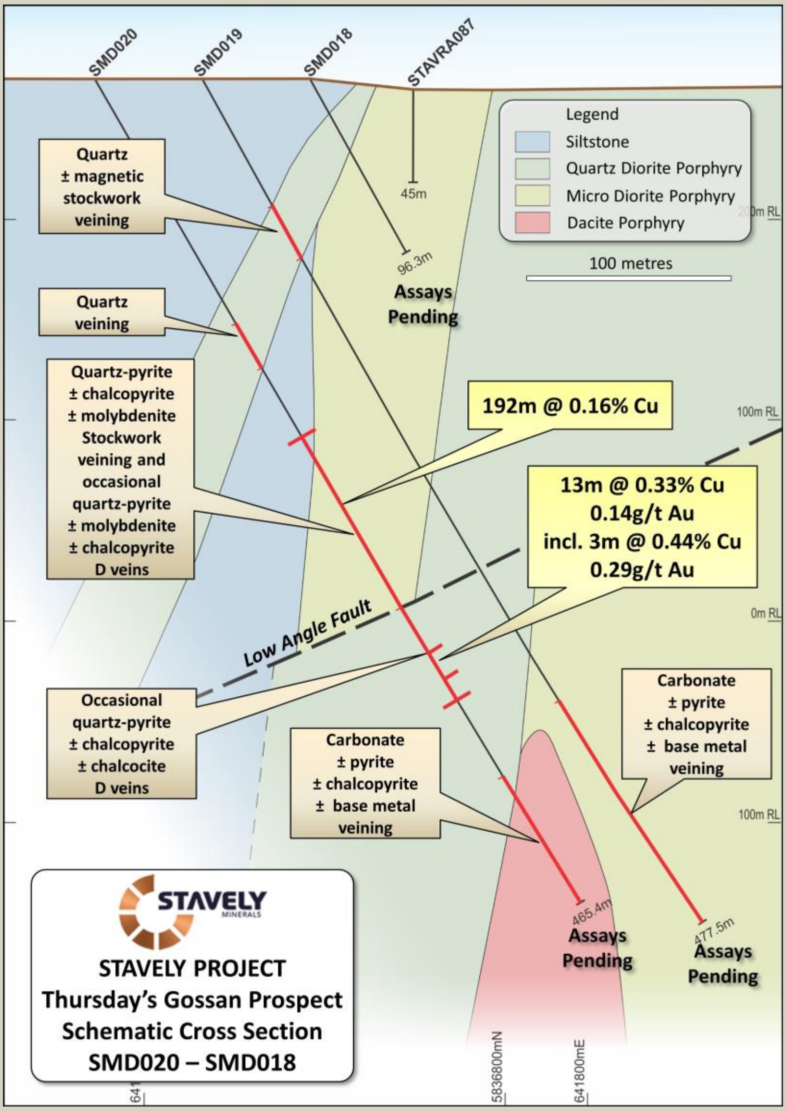


*Figure 13. Thursday's Gossan Prospect – Schematic Cross Section SMD020 – SMD018.*

### ii. Fairview Gold Prospect

During the previous year, RC drilling was conducted at the Fairview Gold prospect to specifically target the revised geometry interpretation of the gold mineralised veins. Broad zones of low grade mineralisation was intercepted from surface, including 57 metres at 0.57 g/t gold and 68 metres at 0.42 g/t gold. These mineralised envelopes included higher grade intercepts of 17 metres at 1.23 g/t gold from 23 metres and 16 metres at 1.04 g/t gold from 6 metres.

Given that the low-grade gold mineralised intervals commence from surface, composite bulk samples have been collected for metallurgical test work to determine whether the mineralisation may be amenable to low-cost heap leach gold recovery. Test work results were pending at year end.

### Yarram Park Project

The Yarram Park Project is located within an area where interpretation of the regional aeromagnetic data has identified the presence of an offset portion of either the Mount Stavely Belt, or the parallel Bunnagul Belt, beneath the Quaternary cover. Both the Mount Stavely Belt and the Bunnagul Belt are considered to be highly prospective for intrusive-related porphyry copper-gold and diatreme-hosted gold mineralisation. Maiden drilling during the previous year confirmed the existence of the right host rocks with the presence of distal porphyry-style alteration.

An IP survey conducted during the previous year identified a very large and very strong, up to 50mV/V chargeability anomaly. This IP anomaly is located approximately 800m to the south of the previous drilling and was a Priority 1 drill target for Stavely Minerals. One diamond drill hole was drilled to test this target at the Toora West prospect during the year (Figure 15).

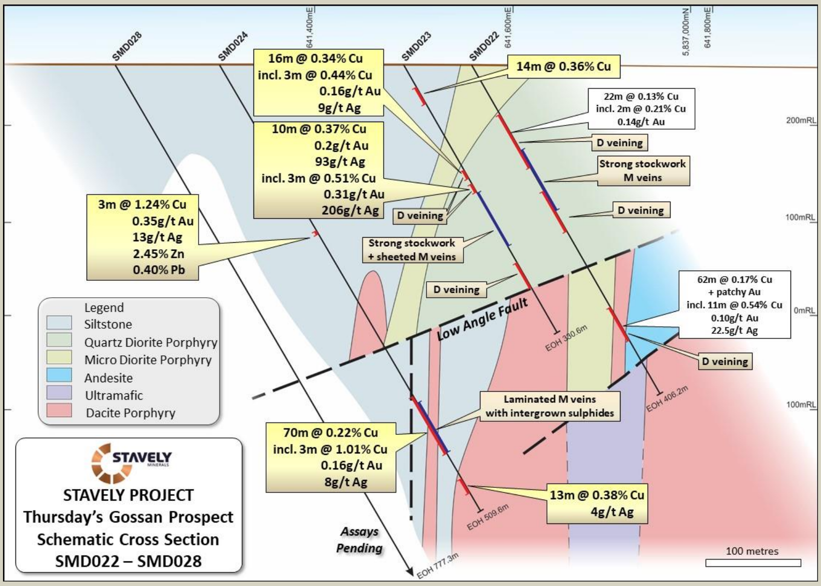


*Figure 14. Thursday's Gossan Prospect – Schematic Cross Section SMD022 – SMD028.*

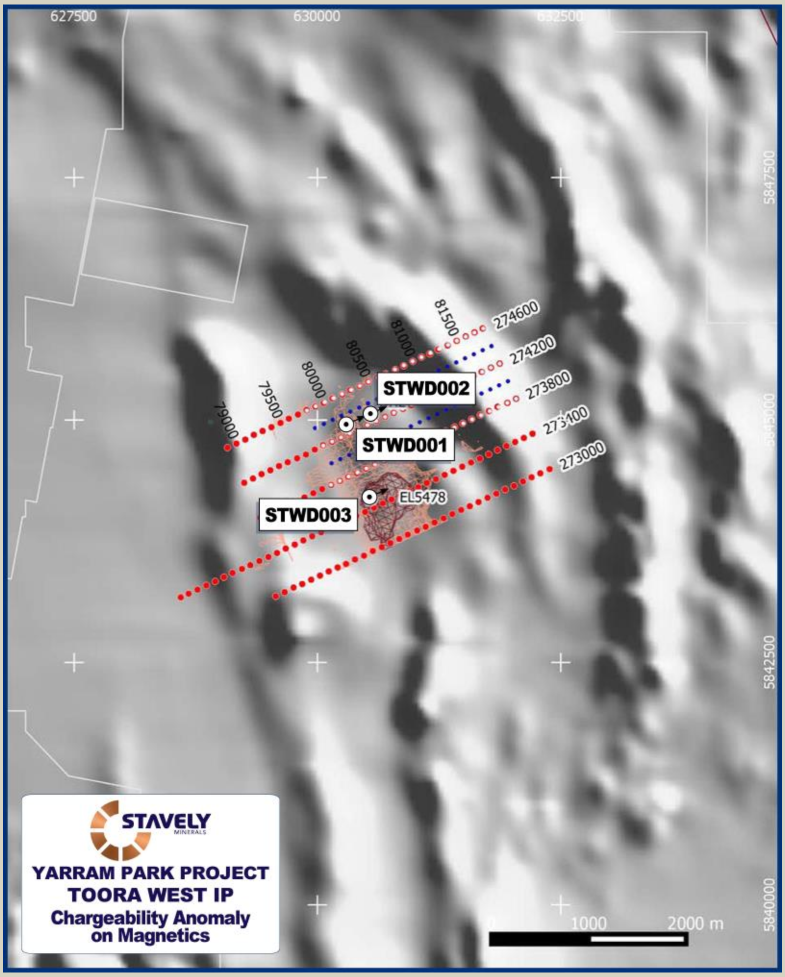


*Figure 15. Yarram Park Project – Toora West IP Chargeability Anomaly on Magnetics.*

### i. Toora West Prospect

Diamond hole STWD003 drilled to a depth of 391 metres to test an intensive +50mV/V chargeability anomaly, intersected a thick package of thin-bedded turbidite sedimentary rocks with abundant pyrrhotite sulphides to 10% in the shale tops to the beds.

Laser ablation inductively coupled plasma mass spectrometry (LA-ICPMS) analysis was conducted on representative core from STWD003 at the Centre for Ore Deposits and Earth Sciences (CODES) at the University of Tasmania. The analysis identified that the drill hole intersected a sequence of silicified and deformed (Cambrian?) black shale containing laminated pyrrhotite and vein-hosted pyrite, with minor arsenopyrite.

The study concluded that the pyrrhotite is enriched in a suite of trace elements (i.e., Co-Ni-Ag-Sb-Te-Tl-Pb-Bi) which is characteristic of diagenetic, rather than hydrothermal pyrrhotite development. In contrast, the pyrite was found to be notably depleted in As (commonly below the average detection limit of 0.5ppm), but it does contain high Co and Ni, and also has up to 8 ppm gold in one analysis. Tungsten (W) is also consistently enriched at the 1-10 ppm level in the pyrite.

The arsenopyrite was found to be intergrown with both pyrite and pyrrhotite, and it also has a Co-Ni-Se-Sb-Te-Pb-Bi signature, with low-level Au (~1ppm) and relatively high Pt (1-10ppm). The results suggest that the area around STWD003 is prospective for sediment-hosted orogenic gold mineralisation, possibly similar to that in the Ordovician Bendigo-Ballarat district to the east and ultramafic-hosted Ni-PGE mineralisation.

### Black Range Joint Venture Project

The Black Range Joint Venture tenement EL5425 is located adjacent to Stavely Minerals 100%-owned Yarram Park Project and surrounds the 100%-owned Stavely Project in western Victoria (Figure 1) and significantly expands the Company's exploration footprint within the highly prospective Stavely Volcanic Belt.

During the year one diamond hole was drilled at the Black Range Joint Venture Project (Figure 16). Hole SMD027 was drilled to a depth of 251 metres to test a discrete magnetic feature along a major north-south structure, approximately 2 kilometres north of the Thursday's Gossan copper-gold porphyry prospect.

Disseminated magnetite was observed in a gabbro intrusive in the top 175 metres of the hole and would explain the magnetic anomaly.

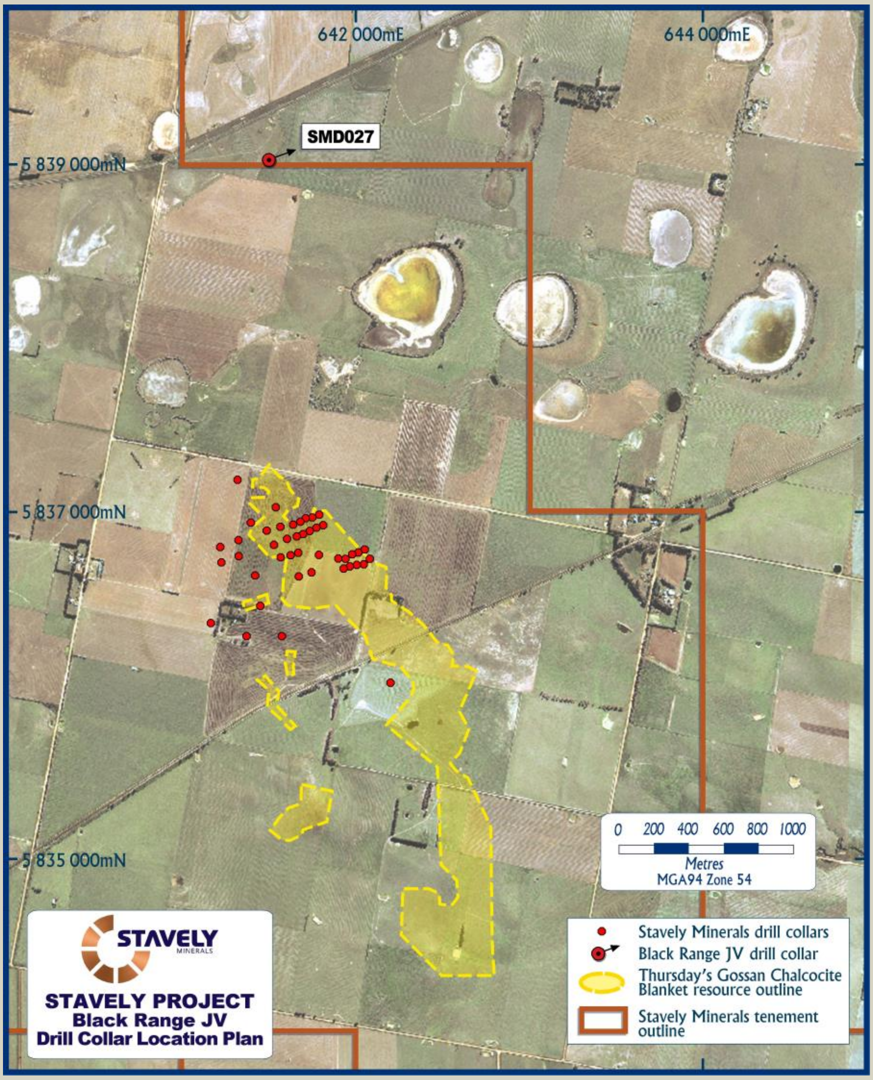


*Figure 16. Black Range JV – Drill Collar Location.*

## Ravenswood Project

The Ravenswood Project is highly prospective for gold-copper mineralisation, with excellent potential for orogenic and intrusive-related gold mineralisation, epithermal gold mineralisation as well as having four porphyry copper-molybdenum-gold prospects identified (Figure 17).

The exploration programmes during the year have led to the identification of the Connolly North quartz-vein hosted gold target on the Ravenswood West tenement and the Area 8 low-sulphidation epithermal gold-silver target on the Dreghorn tenement. Drill testing of these two prospects is planned for late 2018.

During the year, reconnaissance field mapping, rock-chip sampling, soil and stream sediment sampling and two Induced Polarisation Surveys were conducted at the Ravenswood Project.

Rock-chip sampling on the Dreghorn tenement has returned high-grade silver and base metal results of up to 14.2% copper, 279ppm silver, 0.8% zinc and 0.57% lead at the Bowerbird prospect and spectacular gold grades of up to 68.3 g/t gold from the Albion/ Queenslander trend (Figure 18).

Rock-chips of quartz veins at the Trieste prospect in the Ravenswood West tenement returned 5.54 g/t gold and 2.18 g/t gold (Figure 19). At the Kirker's prospect also on the Ravenswood tenement rock chips returned 3.71 g/t gold and 1.88 g/t gold (Figure 19). The Keane's porphyry copper-molybdenum prospect returned 18.3% copper in a rock chip (Figure 19).

Numerous significant copper, gold and silver assays were generated from rock-chip sampling on the Ravenswood North tenement (Figure 20). A rock chip at Wilber's Hill prospect returned 0.43 g/t gold and 262 g/t silver. At the Smith's prospect a rock chip assayed 1.03 g/t gold and 2.07% copper.

Stream sediment sampling in tributaries to the Elphinstone Creek returned gold values of up to 6.28 g/t gold.

### i. Connolly North Prospect

During the year, field mapping, rock chip and soil sampling conducted at the Ravenswood West Project lead to the identification of the Connolly North Prospect.

At Connolly North, mapping has confirmed the occurrence of quartz veins in low-angle structures similar to those seen in the Sarsfield open pit at the Ravenswood Gold Mine, ~15km away. Rock chip sampling in the Connolly North area returned gold results of 14.8 g/t, 12.75 g/t, 2.07 g/t and 1.42 g/t (Figure 21).

The stream sediment samples taken in tributaries to the Connolly Creek and draining the Connolly North prospect area returned anomalous gold values of 1.61 g/t, 1.20 g/t and 1.18 g/t. Previous rock chip sampling earlier in the year returned a 36.6 g/t gold result from a 5-10cm thick low-angle quartz vein at the Connolly North prospect.

During the year an IP survey was conducted at Connolly North to determine if a response from the higher density quartz veins and associated disseminated sulphide

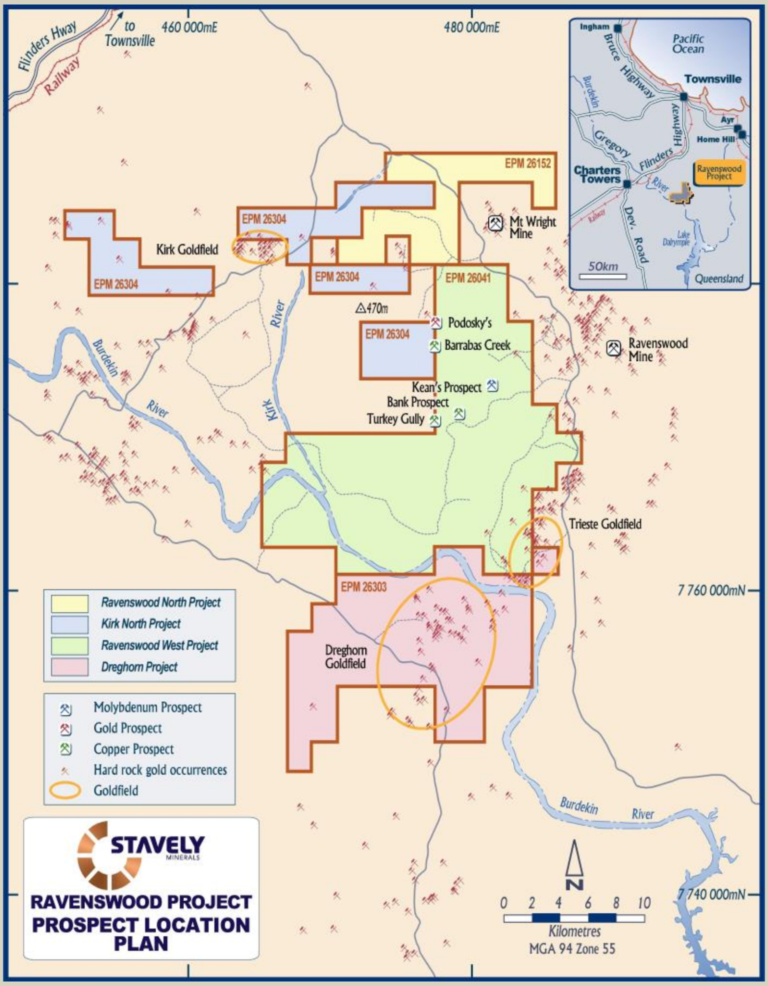


*Figure 17. Ravenswood Project – Prospect Location Plan.*

halos could be detected. The IP survey returned a +10mV/V chargeability anomaly.

### ii. Area 8 Prospect

At the Area 8 prospect, surface rock-chips returned assay results of up to 0.65 g/t gold, 106 g/t silver, 397 ppm arsenic and 837 ppm antimony from crustiform and colloform quartz veins and quartz breccia in-fill (Figure 19). The quartz textures and geochemical signature are consistent with a low-sulphidation epithermal gold-silver system. A notable example of a low-sulphidation epithermal gold-silver system is the Pajingo Gold Mine, located 20km south-west of the Area 8 prospect.

Results from the IP survey conducted over Area 8 during the year have not identified a strong chargeability anomaly, however this is not surprising given that the low-sulphidation style of gold mineralisation often does not provide a response. At Area 8, the IP survey returned a well constrained resistivity anomaly typical of epithermal deposits.

The presence of +0.5 g/t gold with very strong silver, arsenic and antimony results within banded quartz veins is a very encouraging indication that there may be significant mineralisation at depth.

### iii. Elphinstone Creek

In tributaries to Elphinstone Creek, recent reconnaissance exploration has returned very significant stream sediment assay results including 6.28 g/t gold, 1.1 g/t gold, 0.45 g/t gold and 0.42 g/t gold in an area of widespread gold anomalism but no known hard-rock workings (Figure 21).

Initial follow-up in the creek hosting the 1.1 g/t gold and 6.28 g/t gold stream sediment anomalies indicates that there is abundant red garnet in the stream and outcrop of pegmatite with large garnets was located nearby. It is not known if this is associated with the gold in stream sample anomalism.

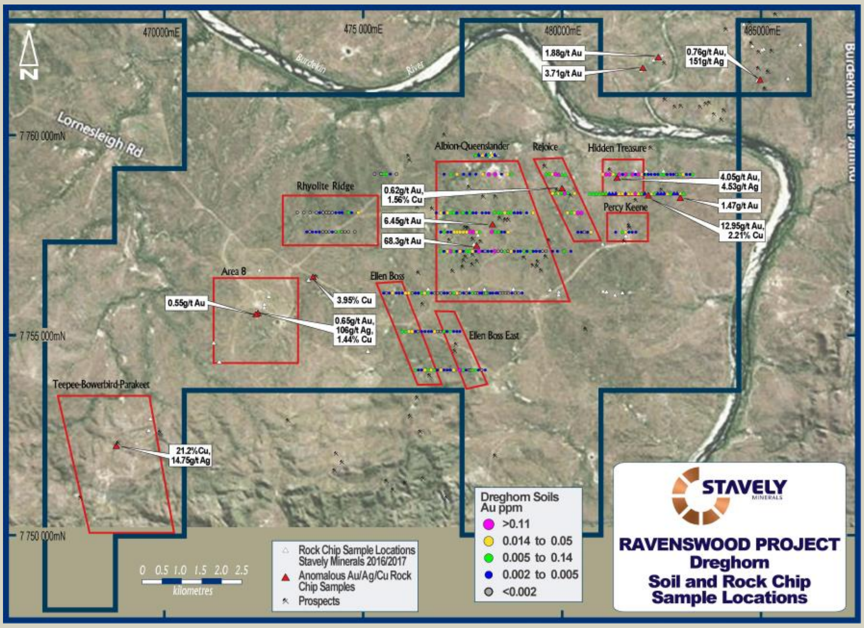


*Figure 18. Ravenswood Project – Dreghorn Soil and Rock Chip Sample Locations*

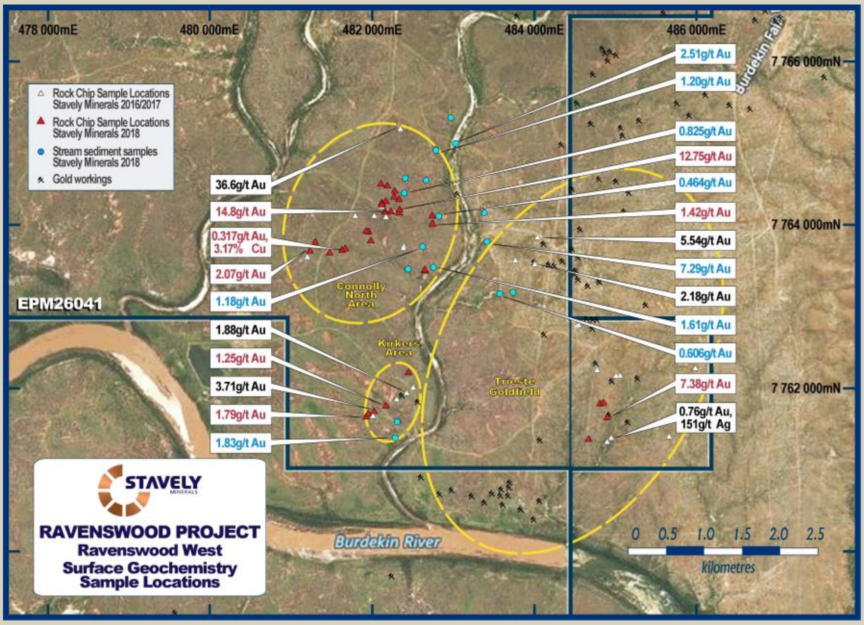


*Figure 19. Ravenswood Project – Ravenswood West Surface Geochemistry Sample Locations*

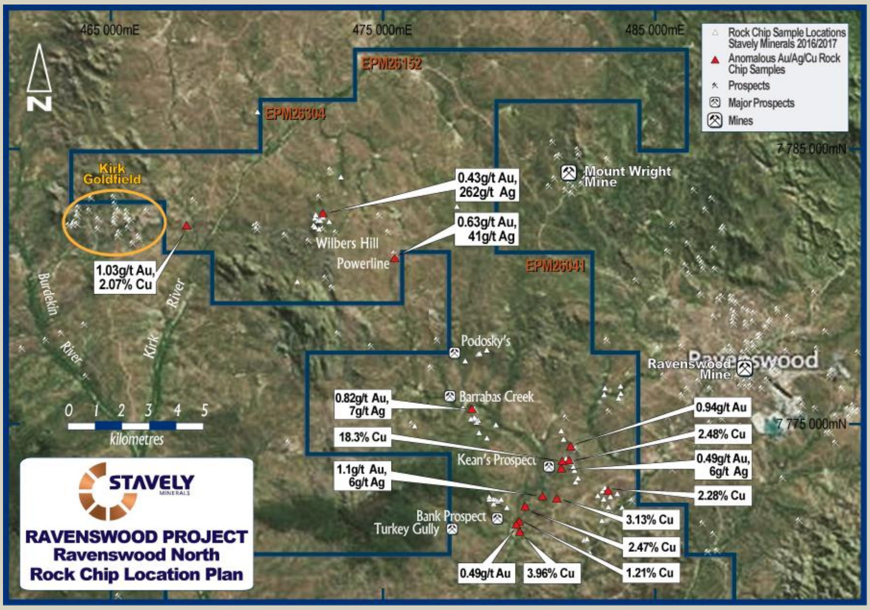


*Figure 20. Ravenswood Project – Ravenswood North Rock Chip Location Plan*

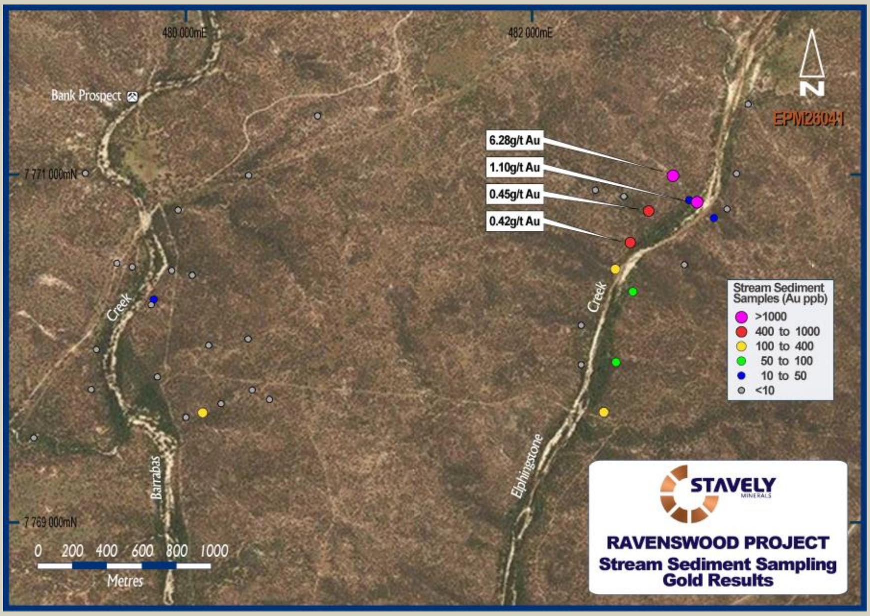


*Figure 21. Ravenswood Project – Stream Sediment Sampling Gold Results*

## JORC Compliance Statement

*The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Chris Cairns, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Cairns is a full-time employee of the Company. Mr Cairns is the Managing Director of Stavely Minerals Limited, is a substantial shareholder of the Company and is an option holder of the Company. Mr Cairns has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cairns consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*With respect to reporting of the Mineral Resources at the Mt Ararat VMS copper-gold-zinc deposit and Thursday's Gossan chalcocite copper deposit, the information is extracted from the report entitled "Mount Ararat 2015 Resource Estimate Report" and "Appendix 1, Reporting of Thursday Gossan Chalcocite Copper Resource against criteria in Table 1 JORC Code 2012" dated 24 August 2015 authored by Mr Duncan Hackman of Hackman and Associates Pty Ltd. Mr Hackman is a Member of the Australian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code, 2012 Edition).*

*As there has been no new information generated from the Mineral Resource areas, Mr Cairns has reviewed the underlying assumptions in the 2015 Mineral Resources reports and finds that there have been no material changes and that the underlying assumptions and technical parameters remain valid. There are therefore no changes to the Mineral Resources estimates from this annual review.*

*Stavely Minerals' policy for Mineral Resources estimates is to have the estimates done by suitably qualified and experienced external consultants and have these estimates reviewed internally by suitably qualified and experienced Stavely Minerals' personnel.*

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Your Directors present their report for the year ended 30 June 2018.

***DIRECTORS***

The names and particulars of the Directors of the Company in office during the financial year and up to the date of this report were as follows. Directors were in office for the entire year unless otherwise stated.

**William Plyley**
***B.Sc (Metallurgical Engineering)***
*Non Executive Chairman (appointed 6 December 2013)*

Mr William Plyley is a mining executive with over 36 years operational experience in exploration, mining, processing, and management with substantial resources companies such as Placer Dome Inc, Normandy Mining Limited and Red Back Mining Inc. He has been responsible for major mine developments in Ghana, West Africa and Australia. He has also had significant roles in development and expansion of mines in Papua New Guinea and Australia. Mr Plyley retired, in late 2010, from a role as Chief Operating Officer of La Mancha Resources where he was responsible for the development of the Frog's Leg and White Foil mines near Kalgoorlie, Western Australia and the operation of mines in Sudan and Cote d'Ivoire, Africa. Recently, Mr Plyley was a Director of Integra Mining Limited from November 2011 until the takeover of Integra by Silver Lake Resources Limited in January 2013.

Mr Plyley has a B.Sc. in Metallurgical Engineering from Mackay School of Mines, University of Nevada. He is a member of Australian Institute of Mining and Metallurgy (MAusIMM) and Graduate of Australian Institute of Company Directors (GAICD).

Mr Plyley is a member of the Company's Audit and Risk Committee.

*Other directorships of listed companies in the last three years:* None.

**Christopher Cairns**
***B.Sc (Hons)***
*Executive Managing Director (Appointed 23 May 2006)*

Mr Christopher Cairns completed a First Class Honours degree in Economic Geology from the University of Canberra in 1992. Mr Cairns has extensive experience having worked for:

- BHP Minerals as Exploration Geologist / Supervising Geologist in Queensland and the Philippines
- Aurora Gold as Exploration Manager at the Mt Muro Gold Mine in Borneo
- LionOre as Supervising Geologist for the Thunderbox Gold Mine and Emily Anne Nickel Mine drill outs
- Sino Gold as Geology Manager responsible for the Jinfeng Gold Deposit feasibility drillout and was responsible for the discovery of the stratabound gold mineralisation taking the deposit from 1.5Moz to 3.5Moz in 14 months.

Mr Cairns joined Integra Mining Limited in March 2004 and as Managing Director oversaw the discovery of three gold deposits, the funding and construction of a new processing facility east of Kalgoorlie transforming the company from explorer to gold producer with first gold poured in September 2010. In 2008 Integra was awarded the Australian Explorer of the Year by Resources Stocks Magazine and in 2011 was awarded Gold Miner of the Year by Paydirt Magazine and the Gold Mining Journal.

In January 2013, Integra was taken over by Silver Lake Resources Limited for $426 million (at time of bid) at which time Mr Cairns resigned along with the whole Integra Board after having successfully recommended shareholders accept the Silver Lake offer.

Mr Cairns is a member of the Australian Institute of Geoscientists, a member of the JORC Committee and a Board member of the Australian Prospectors and Miners Hall of Fame.

*Other directorships of listed companies in the last three years:* None.

**Jennifer Murphy**
***B.Sc(Hons), M.Sc***
*Executive Technical Director (Appointed 8 March 2013)*

Ms Jennifer Murphy completed a First Class Honours Degree in Geology in 1989, and subsequently a Master of Science Degree in 1993 at the University of Witwatersrand in South Africa. Ms Murphy joined Anglo American Corporation in 1993 as an exploration geologist working in Tanzania and Mali. In 1996, she immigrated to Australia and joined Normandy Mining Limited, working initially as a project geologist in the Eastern Goldfields and Murchison Greenstone Provinces and afterwards was responsible for the development and management of the GIS and administration of the exploration database.

Between 2004 and 2007, Ms Murphy provided contract geological services to a range of junior exploration companies. Ms Murphy joined Integra Mining Limited in 2007, initially as an administration geologist, and in 2010 the role was expanded to that of corporate geologist. In 2013 Ms Murphy joined Stavely Minerals as part of the management team to provide technical and geological expertise. Ms Murphy is a member of the Australian Institute of Geoscientists and has a broad range of geological experience ranging from exploration program planning and implementation, GIS and database management, business development, technical and statutory, and ASX reporting, as well as corporate research and analysis and investor liaison.

Ms Murphy is a member of the Company's Audit and Risk Committee.

*Other directorships of listed companies in the last three years:* None.

**Peter Ironside**
***B.Com, CA***
*Non Executive Director (appointed 23 May 2006)*

Mr Peter Ironside has a Bachelor of Commerce Degree and is a Chartered Accountant and business consultant with over 30 years' experience in the exploration and mining industry. Mr Ironside has a significant level of accounting, financial compliance and corporate governance experience including corporate initiatives and capital raisings. Mr Ironside has been a Director and/or Company Secretary of several ASX listed companies including Integra Mining Limited and Extract Resources Limited (before $2.18Bn takeover) and is currently a non-executive director of Zamanco Minerals Limited.

Mr Ironside is Chair of the Company's Audit and Risk Committee.

*Other directorships of listed companies in the last three years:* Zamanco Minerals Limited (current).

***COMPANY SECRETARY***

**Amanda Sparks**
***B.Bus, CA, F.Fin***
*Appointed 7 November 2013*

Ms Amanda Sparks is a Chartered Accountant with over 30 years of resources related financial experience, both with explorers and producers. Ms Sparks has extensive experience in financial management, corporate governance and compliance for listed companies.

### *MEETINGS OF DIRECTORS*

During the financial year, 3 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

| | Board of Directors | | Audit and Risk Committee | |
|---|---|---|---|---|
| | Meetings Held | Meetings Attended | Meetings Held | Meetings Attended |
| W Plyley | 4 | 3 | 2 | 2 |
| C Cairns | 4 | 4 | * | * |
| J Murphy | 4 | 4 | 2 | 2 |
| P Ironside | 4 | 4 | 2 | 2 |

* Not a member of the Audit and Risk Committee

In addition to formal Board meetings, the Chairman talks to the Managing Director on a weekly basis. All other directors (Chris Cairns, Jennifer Murphy and Peter Ironside) work in the same office and hold discussions on a daily basis.

### *DIRECTORS' INTERESTS IN SHARES AND OPTIONS*

The following table sets out each director's relevant interest in shares and options in shares of the Company as at the date of this report.

| **Name of Director** | **Number of Shares (direct and indirect)** | **Number of Unlisted Options at 19 cents, expiry 31/12/2018** | **Number of Unlisted Options at 21 cents, expiry 31/12/2020** |
|---|---|---|---|
| W Plyley | 22,000 | 750,000 | 300,000 |
| C Cairns | 15,007,419 | 2,500,000 | 2,500,000 |
| J Murphy | 3,487,097 | 1,800,000 | 1,800,000 |
| P Ironside | 30,295,361 | 950,000 | 300,000 |

### *DIVIDENDS*

No dividends were paid or declared during the year. The Directors do not recommend payment of a dividend.

### *ENVIRONMENTAL REGULATIONS*

The Group's environmental obligations are regulated by the laws of Australia. The Group has a policy to either meet or where possible, exceed its environmental obligations. No environmental breaches have been notified by any governmental agency as at the date of this report.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

### *CORPORATE INFORMATION*

**Corporate Structure**

Stavely Minerals Limited is a limited liability company that is incorporated and domiciled in Australia. Stavely Minerals Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

| | | |
|---|---|---|
| Stavely Minerals Limited | - | parent entity |
| Ukalunda Pty Ltd | - | 100% owned controlled entity |

**Principal Activity**

The Group's principal activity was mineral exploration for the year ended 30 June 2018. There were no significant changes in the nature of the principal activities during the year.

**Operations review**
Refer to the Operations Review on pages 4 to 25.

**Summary of Financial Position, Asset Transactions and Corporate Activities**
A summary of key financial indicators for the Group, with prior period comparison, is set out in the following table:

| | Year 30 June 2018 $ | Year 30 June 2017 $ |
|---|---|---|
| Cash and cash equivalents held at year end | 6,559,041 | 2,539,101 |
| Net loss for the year after tax | (6,921,479) | (3,915,242) |
| Included in loss for the year: | | |
| Exploration costs | (5,119,491) | (2,394,120) |
| Equity-based payments | (1,106,742) | (1,020,234) |
| Basic loss per share (cents) from continuing operations | (5.21) | (3.54) |
| Net cash used in operating activities | (4,234,312) | (2,294,238) |
| Net cash used in investing activities | (133,414) | (29,090) |
| Net cash from financing activities | 8,387,666 | 3,342,263 |

During the year:

- On 4 July 2017, Stavely issued 283,019 shares at an issue price of 10.6 cents per share as consideration for the extension of the Stavely Royalty Option with New Challenge Resources Pty Ltd.

- On 8 February 2018, Stavely issued 20,000,000 shares at 34 cents per share pursuant to a placement to sophisticated and institutional investors. Gross proceeds were $6,800,000.

- On 23 February 2018, Stavely issued 5,888,972 shares at 34 cents per share pursuant to a Share Purchase Plan. Gross proceeds were $2,002,250.

- On 11 April 2018 and 13 June 2018, Stavely issued 100,000 and 400,000 shares respectively at 19 cents per share upon exercise of unlisted consultant options. Gross proceeds were $95,000.

- In October 2014, Stavely Minerals entered into a $2 million Share Subscription Agreement with its existing drilling contractor, Titeline Drilling Pty Ltd. Pursuant to this agreement, the drilling contractor has agreed to subscribe for up to $2 million of shares, with Stavely Minerals having the option to settle monthly drilling charges by way of cash payment and by way of offset of the price of subscription application for shares.

  During the year ended 30 June 2018, 1,969,207 shares ($349,004) were issued pursuant to this agreement.

***SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS***

Significant changes in the state of affairs of the Group during the financial year are detailed on pages 4 to 25 of this report.

***LIKELY DEVELOPMENTS AND EXPECTED RESULTS***

The Group anticipates to continue its exploration activities and consider corporate transactions to ensure further development of its tenements.

***REMUNERATION REPORT (AUDITED)***

The Directors present the 2018 Remuneration Report, outlining key aspects of Stavely's remuneration policy and framework, together with remuneration awarded this year.

The report is structured as follows:

A. Key management personnel (KMP) covered in this report

B. Remuneration policy, link to performance and elements of remuneration

C. Contractual arrangements of KMP remuneration

D. Remuneration of key management personnel

E. Equity holdings and movements during the year

F. Other transactions with key management personnel

G. Use of remuneration consultants

H. Voting of shareholders at last year's annual general meeting

***A. KEY MANAGEMENT PERSONNEL (KMP) COVERED IN THIS REPORT***

For the purposes of this report key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise).

**Key Management Personnel during the Year**

***Non-Executive Directors***

| | | |
|---|---|---|
| William Plyley | – | Non-executive Chairman (from 6 December 2013) |
| Peter Ironside | – | Director (from 23 May 2006) |

***Executive Directors***

| | | |
|---|---|---|
| Christopher Cairns | – | Managing Director (from 23 May 2006) |
| Jennifer Murphy | – | Technical Director (from 8 March 2013) |

***B. REMUNERATION POLICY, LINK TO PERFORMANCE AND ELEMENTS OF REMUNERATION***

**Remuneration Governance**

The Board is responsible for ensuring that the Company's remuneration structures are aligned with the long-term interests of Stavely and its shareholders.

Once the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude, to assist the Board in fulfilling its duties, the Board will establish a Remuneration Committee. Until that time, the Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process is stringent and full details of remuneration policies and payments are provided to shareholders in the annual report and on the web. The Board has adopted the following policies for Directors' and executives' remuneration.

**Remuneration Philosophy**
The performance of the Group depends upon the quality of its Directors and Executives. To prosper, the Group must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre Executives;
- link Executive rewards to shareholder value; and
- in the future, will establish appropriate, demanding performance hurdles in relation to variable Executive remuneration.

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

**Non-Executive directors' remuneration**
*Objective*
The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

*Structure*
Non-executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with ASX listing rules. The option incentive portion is targeted to add to shareholder value by having a strike price considerably greater than the market price at the time of granting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-executive Directors when undertaking the annual review process.

**Executive Director Remuneration**
*Objective*
The Group aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward Executives for company, and individual performance;
- ensure continued availability of experienced and effective management; and
- ensure total remuneration is competitive by market standards.

*Structure*
In determining the level and make-up of Executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

*Fixed Remuneration - Objective*
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review of Group and individual performance, and relevant comparative remuneration in the market. As noted above, the Board may engage an external consultant to provide independent advice.

*Fixed Remuneration - Structure*
The fixed remuneration is a base salary or monthly consulting fee.

*Variable Pay - Long Term Incentives - Objective*
The objective of long term incentives is to reward Executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the Executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Group's business and financial performance and thus to shareholder value.

*Variable Pay — Long Term Incentives – Structure*
Long term incentives granted to Executives are delivered in the form of options. The option incentives granted are aimed to motivate Executives to pursue the long term growth and success of the Group within an appropriate control framework and demonstrate a clear relationship between key Executive performance and remuneration. Director options are granted at the discretion of the Board and approved by shareholders. Other key management employees may be granted options. Performance hurdles are not attached to vesting periods; however the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

During the year, no performance related cash payments were made.

### *C. CONTRACTUAL ARRANGEMENTS OF KMP REMUNERATION*

On appointment to the board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the executive directors and the other key management personnel are also formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below.

| Name | Term of agreement | Base annual salary exclusive of statutory superannuation at 30/6/2018 | Termination benefit |
|---|---|---|---|
| **Directors** | | | |
| William Plyley | Commenced 22/1/2014. Ongoing, subject to re-elections | $50,000 | None |
| Christopher Cairns | Commenced 22/1/2014 (varied effective 1/11/2017) | $200,000 | 12 months |
| Jennifer Murphy | Commenced 22/1/2014 (varied effective 1/11/2017) | $120,000 | 12 months |
| Peter Ironside | Ongoing, subject to re-elections | Waived to Nil | None |

***D. REMUNERATION OF KEY MANAGEMENT PERSONNEL***

Details of the remuneration of each key management personnel of the Group, including their personally-related entities, during the year were as follows:

| | | | Post Employment | | Share Based | |
|---|---|---|---|---|---|---|
| | Year | Cash salary, directors fees, consulting fees, insurances and movement in leave provisions $ | Superannuation $ | Total Cash and Provisions $ | Options [1] $ | Total including share based payments $ |
| **Directors** | | | | | | |
| W Plyley | **2018** | **37,499** | **3,562** | **41,061** | **64,978** | **106,039** |
| | 2017 | - | - | - | 175,911 | 175,911 |
| C Cairns | **2018** | **195,510** | **17,417** | **212,927** | **345,306** | **558,233** |
| | 2017 | 168,112 | 14,250 | 182,362 | 246,276 | 428,638 |
| J Murphy | **2018** | **112,001** | **10,450** | **122,451** | **248,621** | **371,072** |
| | 2017 | 96,719 | 8,550 | 105,269 | 147,766 | 253,035 |
| P Ironside | **2018** | **-** | **-** | **-** | **75,441** | **75,441** |
| | 2017 | - | - | - | 70,365 | 70,365 |
| **TOTAL** | **2018** | **345,010** | **31,429** | **376,439** | **734,346** | **1,110,785** |
| | 2017 | 264,831 | 22,800 | 287,631 | 640,318 | 927,949 |

[1] Equity based payments – options. These represent the amount expensed for options granted and vested in the year.

There were no performance related payments made during the year. Performance hurdles are not attached to remuneration options; however the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

**Share-based Compensation**

During the year the following options were granted as equity compensation benefits to Directors and other Key Management Personnel. These options vested at grant date.

| 2018 | Number of Options at 19 cents, expiry 31/12/2018 | Value* per option at grant date $ | Number of Options at 21 cents, expiry 31/12/2020 | Value* per option at grant date $ |
|---|---|---|---|---|
| **Directors** | | | | |
| W Plyley | 750,000 | 0.0523 | 300,000 | 0.0858 |
| C Cairns | 2,500,000 | 0.0523 | 2,500,000 | 0.0858 |
| J Murphy | 1,800,000 | 0.0523 | 1,800,000 | 0.0858 |
| P Ironside | 950,000 | 0.0523 | 300,000 | 0.0858 |

These options were granted to recognise the efforts of Stavely's directors and provide a retention incentive. It is important to note that in March 2015, all directors and staff agreed to reduce their salaries / fees in order to maximise cash for exploration expenditure. Issue of these Director options were approved by Shareholders at the Company's Annual General Meeting held on 18 October 2017.

* Value at grant date has been calculated in accordance with AASB 2 *Share-based Payment*. Stavely used a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Further details are in note 3 of the financial statements.

**Shares issued to Key Management Personnel on exercise of compensation options**

During the year to 30 June 2018, there were no compensation options exercised by Directors or other Key Management Personnel.

### *E.. EQUITY HOLDINGS AND MOVEMENTS DURING THE YEAR*

**(a) Shareholdings of Key Management Personnel**

| 30 June 2018 | Balance at beginning of the year | Net change during the year | Balance at end of the year |
|---|---|---|---|
| **Directors** | | | |
| W Plyley | 22,000 | - | 22,000 |
| C Cairns | 15,007,419 | - | 15,007,419 |
| J Murphy | 3,497,097 | - | 3,497,097 |
| P Ironside | 30,257,419 | 37,942 | 30,295,361 |
| | 48,783,935 | 37,942 | 48,821,877 |

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arms-length.

**(b) Option holdings of Key Management Personnel**

| 30 June 2018 | Balance at beginning of the year | Granted as remuneration | Expired during the year | Balance at end of the year | Exercisable |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| W Plyley | 3,500,000 | 1,050,000 | (3,500,000) | 1,050,000 | 1,050,000 |
| C Cairns | 8,532,258 | 5,000,000 | (8,532,258) | 5,000,000 | 5,000,000 |
| J Murphy | 3,661,290 | 3,600,000 | (3,661,290) | 3,600,000 | 3,600,000 |
| P Ironside | 6,032,258 | 1,250,000 | (6,032,258) | 1,250,000 | 1,250,000 |
| | 21,725,806 | 10,900,000 | (21,725,806) | 10,900,000 | 10,900,000 |

### *F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL*

Mr Peter Ironside, Director, is a shareholder and director of Ironside Pty Ltd. Ironside Pty Ltd is a shareholder of the 168 Stirling Highway Syndicate, the entity which owns the premises the Company occupies in Western Australia. During the year an amount of $134,611 (net of GST) was paid/payable for office rental and variable outgoings (2017: $149,310 (net of GST)).

Mr Peter Ironside, Director, is also a shareholder and non-executive director of Zamanco Minerals Limited ("Zamanco"). Zamanco sub-leases office space in the premises the Company occupies. During the year an amount of $36,948 (net of GST) was paid/payable by Zamanco to the Company for reimbursement of office rental and associated expenses (2017: $40,326 (net of GST)).

### *G. USE OF REMUNERATION CONSULTANTS*

No remuneration consultants were engaged by the Company during the year.

### *H. VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING*

The Company received 99.45% of 'yes' votes for its remuneration report for the 2017 financial year and did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**End of Audited Remuneration Report.**

***INDEMNIFICATION AND INSURANCE OF OFFICERS***

The Company has paid a premium to insure the Directors and Officers of the Company and its controlled entities. Details of the premium are subject to a confidentiality clause under the contract of insurance.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Company.

***SHARES UNDER OPTION***

Unissued ordinary shares of the Company under option at the date of this report are as follows:

| | **Number** | **Exercise Price** | **Expiry Date** |
|---|---|---|---|
| Unlisted Options | 9,587,500 | 19 cents | 31/12/2018 |
| Unlisted Options | 7,050,000 | 21 cents | 31/12/2020 |

No option holder has any right under the options to participate in any other share issue of the Company or any other related entity.

500,000 unlisted consultant options with an exercise price of 19 cents were exercised during the year. No options were exercised by Key Management Personnel (2017: nil).

***EVENTS OCCURRING AFTER THE REPORTING PERIOD***

There are no matters or circumstances that have arisen since 30 June 2018 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial years.

***CORPORATE GOVERNANCE***

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Stavely Minerals Limited support and adhere to the principles of corporate governance. Please refer to the Company's website for details of corporate governance policies: https://www.stavely.com.au/corporate-governance.

***AUDIT INDEPENDENCE AND NON-AUDIT SERVICES***

**Auditor's independence - section 307C**

The Auditor's Independence Declaration is included on page 36 of this report.

**Non-Audit Services**

The following non-audit services were provided by the entity's auditor, BDO. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. BDO received, or are due to receive, the following amounts for the provision of non-audit services:

| | **2018** | **2017** |
|---|---|---|
| Taxation and Corporate advice services | $9,810 | $19,116 |

Signed in accordance with a resolution of the Directors.

Christopher Cairns
Managing Director

Dated this 12th day of September 2018

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Subiaco, WA 6008
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Australia

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF STAVELY MINERALS LTD**

As lead auditor of Stavely Minerals Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Stavely Minerals Limited and the entities it controlled during the period.

**Glyn O'Brien**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 12 September 2018

1. In the opinion of the directors:

   a) The financial statements and notes are in accordance with the Corporations Act 2001, including:

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

      ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

      iii) complying with International Financial Reporting Standards (IFRS) as stated in note 1 of the financial statements; and

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

This declaration is signed in accordance with a resolution of the Board of Directors.

Christopher Cairns
Managing Director

Dated this 12th day of September 2018

| | Note | Consolidated Year ended 30 June 2018 $ | Consolidated Year ended 30 June 2017 $ |
|---|---|---|---|
| **Revenue and Income** | | | |
| Interest revenue | | 86,128 | 45,875 |
| Rental sub-lease revenue | | 36,948 | 40,326 |
| | | 123,076 | 86,201 |
| **Expenses** | | | |
| Administration and corporate expenses | 2(a) | (818,322) | (587,089) |
| Administration – equity based expenses | 3 | (1,106,742) | (1,020,234) |
| Exploration expensed | 2(b) | (5,119,491) | (2,394,120) |
| Total expenses | | (7,044,555) | (4,001,443) |
| **Loss before income tax** | | **(6,921,479)** | **(3,915,242)** |
| Income tax expense | 4 | - | - |
| **Loss after income tax attributable to members of Stavely Minerals Limited** | | **(6,921,479)** | **(3,915,242)** |
| **Other comprehensive income/(loss)** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Other | | - | - |
| **Other comprehensive income/(loss) for the year, net of tax** | | - | - |
| **Total comprehensive loss for the year** | | **(6,921,479)** | **(3,915,242)** |
| **Loss per share for the year attributable to the members of Stavely Minerals Limited** | | **Cents Per Share** | **Cents Per Share** |
| Basic loss per share | 5 | (5.21) | (3.54) |

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

| | Note | Consolidated 30 June 2018 $ | Consolidated 30 June 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 6,559,041 | 2,539,101 |
| Other receivables | 7 | 292,011 | 113,034 |
| **Total Current Assets** | | 6,851,052 | 2,652,135 |
| **Non-Current Assets** | | | |
| Receivables | 7 | 42,500 | 42,500 |
| Property, plant and equipment | 8 | 128,605 | 51,768 |
| Deferred exploration expenditure | 9 | 3,006,057 | 3,006,057 |
| **Total Non-Current Assets** | | 3,177,162 | 3,100,325 |
| **Total Assets** | | 10,028,214 | 5,752,460 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 10 | 1,732,473 | 415,014 |
| Provisions | 11 | 64,308 | 57,946 |
| **Total Current Liabilities** | | 1,796,781 | 472,960 |
| **Total Liabilities** | | 1,796,781 | 472,960 |
| **Net Assets** | | **8,231,433** | **5,279,500** |
| **Equity** | | | |
| Issued capital | 12 | 24,744,232 | 15,977,562 |
| Reserves | 13 | 3,295,853 | 2,189,111 |
| Accumulated losses | | (19,808,652) | (12,887,173) |
| **Total Equity** | | **8,231,433** | **5,279,500** |

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

| | Issued Capital | Reserves | Accumulated Losses | Total Equity |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **At 1 July 2016** | **12,325,646** | **1,168,877** | **(8,971,931)** | **4,522,592** |
| Loss for the year | - | - | (3,915,242) | (3,915,242) |
| Other comprehensive income/(loss) | - | - | - | - |
| **Total comprehensive loss for the year, net of tax** | - | - | (3,915,242) | (3,915,242) |
| **Transactions with owners in their capacity as owners:** | | | | |
| Issue of share capital | 3,841,153 | - | - | 3,841,153 |
| Cost of issue of share capital | (189,237) | - | - | (189,237) |
| Share based payments | - | 1,020,234 | - | 1,020,234 |
| | 3,651,916 | 1,020,234 | - | 4,672,150 |
| **As at 30 June 2017** | **15,977,562** | **2,189,111** | **(12,887,173)** | **5,279,500** |
| **At 1 July 2017** | **15,977,562** | **2,189,111** | **(12,887,173)** | **5,279,500** |
| Loss for the year | - | - | (6,921,479) | (6,921,479) |
| Other comprehensive income/(loss) | - | - | - | - |
| **Total comprehensive loss for the year, net of tax** | - | - | (6,921,479) | (6,921,479) |
| **Transactions with owners in their capacity as owners:** | | | | |
| Issue of share capital | 9,276,254 | - | - | 9,276,254 |
| Cost of issue of share capital | (509,584) | - | - | (509,584) |
| Share based payments | - | 1,106,742 | - | 1,106,742 |
| | 8,766,670 | 1,106,742 | - | 9,873,412 |
| **As at 30 June 2018** | **24,744,232** | **3,295,853** | **(19,808,652)** | **8,231,433** |

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

| | Note | Consolidated Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts in the ordinary course of activities (mostly GST and Victorian Government Co-Funding) | | 361,006 | 561,044 |
| Payments to suppliers and employees | | (4,675,228) | (2,901,157) |
| Interest received | | 79,910 | 45,875 |
| **Net cash flows used in operating activities** | 6(i) | (4,234,312) | (2,294,238) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for plant and equipment | | (133,414) | (29,090) |
| **Net cash flows used in investing activities** | | (133,414) | (29,090) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 8,897,250 | 3,531,500 |
| Payment of share issue costs | | (509,584) | (189,237) |
| **Net cash flows from financing activities** | | 8,387,666 | 3,342,263 |
| | | | |
| **Net increase in cash and cash equivalents held** | | 4,019,940 | 1,018,935 |
| Add opening cash and cash equivalents brought forward | | 2,539,101 | 1,520,166 |
| **Closing cash and cash equivalents carried forward** | 6 | **6,559,041** | **2,539,101** |

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars, which is the Group's functional and presentation currency.

Stavely Minerals Limited is a for-profit entity for the purpose of preparing the financial statements.

The annual report of Stavely Minerals Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 12 September 2018.

### (b) Statement of Compliance

These financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

### (c) Adoption of New and Revised Standards and Change in Accounting Standards

**Early adoption of accounting standards**

The Group has not elected to apply any pronouncements before their operative date in the annual reporting year beginning 1 July 2017.

**New and amended standards adopted by the Group**

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 affected any of the amounts recognised in the current year or any prior period and are not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting year. The Group's assessment of the impact of these new standards and interpretations that may have an impact on the Group is set out below:

**AASB 9 Financial Instruments**

AASB 9 includes requirements for the classification and measurement of financial assets. There is no material impact for Stavely. This standard is not applicable until the financial year commencing 1 July 2018.

**AASB 15 Revenue from Contracts with Customers**

AASB 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. This standard is not applicable until the financial year commencing 1 July 2018, and there will be no impact on Stavely's financial statements.

**AASB 16 Leases**

AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. Stavely has not yet determined the impact on the group accounts, however it is likely that the rental of office premises in WA, residential premises used for site-based staff in Victoria and miscellaneous items such as a photocopier will require Stavely to recognise lease liabilities and right-of-use assets on its' statement of financial position. This standard is not applicable until the financial year commencing 1 July 2019.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**(d) Significant Accounting Estimates and Judgments**

***Significant accounting judgments***

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

***Significant accounting estimates and assumptions***

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

*Commitments - Exploration*

The Group has certain minimum exploration commitments to maintain its right of tenure to exploration permits. These commitments require estimates of the cost to perform exploration work required under these permits.

**(e) Basis of Consolidation and Business Combinations**

The consolidated financial statements comprise the financial statements of Stavely Minerals limited ("Company" or "Parent Entity") and its subsidiaries as at 30 June each year (the Group). Subsidiaries are all entities over which the group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The financial statements of the subsidiaries are prepared for the same period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange, adjusted for any conditions imposed on those shares. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of profit or loss and other comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

| | Year ended 30 June 2018 | Year ended 30 June 2017 |
|---|---|---|
| | $ | $ |
| **NOTE 2 - EXPENSES** | | |
| **(a) Administration and Corporate Expenses** | | |
| Administration and corporate expenses include: | | |
| Depreciation - administration | 3,577 | 2,439 |
| Operating lease rental expense | 134,612 | 150,056 |
| Other administration and corporate expenses | 680,133 | 434,594 |
| | 818,322 | 587,089 |
| Equity based payments expense – refer note 3 | 1,106,742 | 1,020,234 |
| | 1,925,064 | 1,607,323 |
| **(b) Exploration Costs Expensed** | | |
| Exploration costs expensed include: | | |
| Depreciation - exploration | 53,000 | 60,115 |
| Exploration drilling – non-cash - refer note 12 | 349,004 | 279,653 |
| Exploration other – non-cash – refer note 6(ii) | 30,000 | 30,000 |
| Other exploration costs expensed | 4,753,404 | 2,319,067 |
| Victorian Government Co-Funding for exploration | (65,917) | (294,715) |
| | 5,119,491 | 2,394,120 |

**NOTE 3 – EQUITY-BASED PAYMENTS (Recognised as Remuneration Expenses)**

*Equity settled transactions:*
The Group provides benefits to executive directors, employees and consultants of the Group in the form of share-based payments, whereby those individuals render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with these individuals is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Stavely Minerals Limited (market conditions) if applicable.

**NOTE 3 – EQUITY-BASED PAYMENTS (Recognised as Remuneration Expenses) – continued**

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the grant date fair value of the award;
(ii) the extent to which the vesting period has expired; and
(iii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest taking into account such factors as the likelihood of non-market performance conditions being met.

This opinion is formed based on the best available information at reporting date .

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. If an equity-settled award is forfeited, any expense previously recognised for the award is reversed. However, if a new award is substituted for a cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

**(a) Value of equity based payments in the financial statements**

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| | $ | $ |
| Expensed in the profit or loss: | | |
| Equity-based payments- options | 1,106,742 | 1,020,234 |

**(b) Summary of equity-based payments granted during the year:**

Granted to key management personnel and consultants as equity compensation:

| Grant Date | Number of Options | Terms | |
|---|---|---|---|
| **2017/2018** | | | |
| 20/10/17 | 9,587,500 | Expire 31/12/2018 at 19c exercise price | - 3,587,500 granted to Company Secretary, employees and consultants as incentives.<br>- 6,000,000 granted to Directors as approved by Shareholders on 18/10/2017. |
| 20/10/17 | 7,050,000 | Expire 31/12/20 at 21c exercise price | - 2,150,000 granted to Company Secretary, employees and consultants as incentives.<br>- 4,900,000 granted to Directors as approved by Shareholders on 18/10/2017. |
| **2016/2017** | | | |
| 24/11/16 | 5,150,000 | Expire 31/12/2017 at 21c exercise price | Granted to Company Secretary, employees and consultants as incentives. |
| 30/11/16 | 9,100,000 | Expire 31/12/2017 at 26c exercise price | Granted to Directors as approved by Shareholders on 30/11/2016. |
| 14/03/17 | 500,000 | Expire 30/6/2017 at 19c exercise price | Granted to consultants as incentives. |

**NOTE 3 – EQUITY-BASED PAYMENTS (Recognised as Remuneration Expenses) – continued**

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

| **Grant date** | **20/10/2017** | **20/10/2017** |
|---|---|---|
| Option exercise price ($) | 0.19 | 0.21 |
| Expected life of options (years) | 1.20 | 3.20 |
| Dividend yield (%) | - | - |
| Expected volatility (%) | 98.69 | 98.69 |
| Risk-free interest rate (%) | 1.92 | 2.28 |
| Underlying share price ($) | 0.15 | 0.15 |
| Value of Option ($) | 0.0523 | 0.0858 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

**(c) Weighted average fair value**

The weighted average fair value of equity-based payment options granted during the year was $0.0665 (2017: $0.0692).

**(d) Range of exercise price**

The range of exercise price for options granted as share based payments outstanding at the end of the year was $0.19 to $0.21 (2017: $0.19 to $0.27).

**(e) Weighted average remaining contractual life**

The weighted average remaining contractual life of share based payment options that were outstanding as at the end of the year was 1.35 years (2017: 0.51 years).

**(f) Weighted average exercise price**

The following table shows the number and weighted average exercise price ("WAEP") of share options granted as share based payments.

| | **12 Months to 30 June 2018 Number** | **12 Months to 30 June 2018 WAEP $** | **12 Months to 30 June 2017 Number** | **12 Months to 30 June 2017 WAEP $** |
|---|---|---|---|---|
| Outstanding at the beginning of year | 17,150,000 | 0.24 | 15,400,000 | 0.27 |
| Granted during the year | 9,587,500 | 0.19 | 5,150,000 | 0.21 |
| Granted during the year | 7,050,000 | 0.21 | 9,100,000 | 0.26 |
| Granted during the year | - | - | 500,000 | 0.19 |
| Exercised during the year | (500,000) | 0.19 | - | - |
| Lapsed during the year | (2,400,000) | - | (3,000,000) | - |
| Lapsed during the year | (5,150,000) | - | (10,000,000) | - |
| Lapsed during the year | (9,100,000) | - | - | - |
| Outstanding at the end of the year | 16,637,500 | 0.20 | 17,150,000 | 0.24 |
| Exercisable at year end | 16,637,500 | 0.20 | 17,150,000 | 0.24 |

The weighted average share price for options exercised during the year was $0.19 (2017: nil).

**NOTE 4 - INCOME TAX EXPENSE**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

  Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint operations, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**NOTE 4 - INCOME TAX EXPENSE - continued**

| | Year ended 30 June 2018 | Year ended 30 June 2017 |
|---|---|---|
| | **$** | **$** |
| **(a) Income Tax Expense** | | |
| The reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows: | | |
| Loss for year | (6,921,479) | (3,915,242) |
| Prima facie income tax (benefit) @ 27.5% (2017: 27.5%) | (1,903,407) | (1,076,692) |
| Tax effect of non-deductible items | 313,773 | 290,906 |
| Net deferred tax assets not brought to account | 1,589,634 | 785,786 |
| Income tax attributable to operating loss | - | - |
| **(b) Net deferred tax assets not recognised relate to the following:** | | |
| DTA - Tax losses | 4,110,677 | 2,841,723 |
| DTL - Other Timing Differences, net | (206,407) | (124,572) |
| | 3,904,270 | 2,717,151 |

These deferred tax assets have not been brought to account as it is not probable that tax profits will be available against which deductible temporary differences can be utilised.

**Tax Consolidation**

The Company and its 100% owned subsidiary have formed a tax consolidated group. Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At reporting date, the possibility of default is remote. The head entity of the tax consolidated group is Stavely Minerals Limited.

**Tax effect accounting by members of the tax consolidated group**

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head company, Stavely Minerals Limited.

**(c) Franking Credits**

The franking account balance at year end was $nil (2017: $nil).

**NOTE 5 - EARNINGS PER SHARE**

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

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

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

| | **Year ended 30 June 2018** | **Year ended 30 June 2017** |
|---|---|---|
| | **Cents** | **Cents** |
| Basic loss per share | (5.21) | (3.54) |
| | **$** | **$** |
| Loss attributable to ordinary equity holders of the Company used in calculating: | | |
| - basic loss per share | (6,921,479) | (3,915,242) |
| | **Number of shares** | **Number of shares** |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share | 132,742,263 | 110,562,327 |

For the year ended 30 June 2018, diluted earnings per share was not disclosed because potential ordinary shares, being options granted, are not dilutive and their conversion to ordinary shares would not demonstrate an inferior view of the earnings performance of the Company.

**NOTE 6 - CASH AND CASH EQUIVALENTS**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| Cash at bank and on hand | 6,559,041 | 2,539,101 |

**(i) Reconciliation of loss for the period to net cash flows used in operating activities**

| | | |
|---|---|---|
| Loss after income tax | (6,921,479) | (3,915,242) |
| Non-Cash Items: | | |
| Depreciation | 56,577 | 62,554 |
| Share-based payments expensed - options | 1,106,742 | 1,020,234 |
| Exploration drilling – non-cash* | 349,004 | 279,653 |
| Exploration other – non-cash ** | 30,000 | 30,000 |
| Change in assets and liabilities: | | |
| (Increase)/decrease in receivables | (178,976) | (15,331) |
| Increase/(decrease) in payables | 1,317,458 | 230,861 |
| Increase/(decrease) in provisions | 6,362 | 13,033 |
| Net cash flows used in operating activities | (4,234,312) | (2,294,238) |

* 1,969,207 shares ($349,004) were issued pursuant to the Share Subscription Agreement with Titeline Drilling Pty Ltd and Greenstone Property Pty Ltd. Refer to note 12.

** In July 2017, the Company issued 283,019 shares ($30,000) to New Challenge Resources Pty Ltd as consideration for extension of the Stavely Royalty Agreement.

**(ii) Non-Cash Financing and Investing Activities**

No non-cash financing and investing activities were undertaken during the year (2017: none).

**NOTE 7 – TRADE AND OTHER RECEIVABLES**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months. Cash on deposit is not due for settlement until rights of tenure are forfeited or performance obligations are met.

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

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

**NOTE 7 – TRADE AND OTHER RECEIVABLES - continued**

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| **Current** | | |
| GST refundable | 237,218 | 55,112 |
| Bonds – credit card | 40,000 | 40,000 |
| Other | 14,793 | 17,922 |
| Total current receivables | 292,011 | 113,034 |
| **Non-Current** | | |
| Cash on deposit - security bonds | 42,500 | 42,500 |

*Fair Value and Risk Exposures:*

(i) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.
(ii) The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.
(iii) Details regarding interest rate risk exposure are disclosed in note 18.
(iv) Other current receivables generally have repayments between 30 and 90 days.

Receivables do not contain past due or impaired assets as at 30 June 2018 (2017: none).

**NOTE 8 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment - 0 to 4 years
Motor vehicles - 3 to 5 years

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

*Disposal*
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**NOTE 8 - PROPERTY, PLANT AND EQUIPMENT - continued**

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| | $ | $ |
| Motor vehicles- at cost | 95,650 | 57,364 |
| Less: Accumulated depreciation | (47,508) | (35,909) |
| | 48,142 | 21,455 |
| Plant and equipment - at cost | 278,105 | 182,977 |
| Less: Accumulated depreciation | (197,642) | (152,664) |
| | 80,463 | 30,313 |
| Total property, plant and equipment | 128,605 | 51,768 |
| *Reconciliation of property, plant and equipment:* | | |
| **Motor Vehicles** | | |
| Carrying amount at beginning of year | 21,455 | 7,069 |
| Additions | 38,286 | 29,091 |
| Depreciation | (11,599) | (14,705) |
| Carrying amount at end of year | 48,142 | 21,455 |
| **Plant and Equipment** | | |
| Carrying amount at beginning of year | 30,313 | 78,162 |
| Additions | 95,128 | - |
| Depreciation | (44,978) | (47,849) |
| Carrying amount at end of year | 80,463 | 30,313 |

**NOTE 9 - DEFERRED EXPLORATION EXPENDITURE**

Exploration expenditure is expensed to the statement of profit or loss and other comprehensive income as and when it is incurred and included as part of cash flows from operating activities. Exploration costs are only capitalised to the statement of financial position if they result from an acquisition.

Costs carried forward in respect of an area of interest which is abandoned are written off in the year in which the abandonment decision is made.

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Deferred exploration acquisition costs brought forward | 3,006,057 | 3,006,057 |
| Capitalised acquisition expenditure incurred during the year, net | - | - |
| Deferred exploration costs carried forward | 3,006,057 | 3,006,057 |

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas.

**NOTE 10 - TRADE AND OTHER PAYABLES**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| | $ | $ |
| Trade creditors | 755,879 | 396,295 |
| Accruals | 976,594 | 18,719 |
| | 1,732,473 | 415,014 |

Fair Value and Risk Exposures

(i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(ii) Trade and other payables are unsecured and usually paid within 60 days of recognition.

**NOTE 11 – PROVISIONS**

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

*(i) Wages, salaries and, annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave and expected to be settled wholly within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave not expected to be settled wholly within 12 months of the reporting date are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities if the Group does not have an unconditional right to defer settlement for at least 12 months of the reporting date, regardless of when actual settlement is expected to occur.

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Employee entitlements | 64,308 | 57,946 |

**NOTE 12 – ISSUED CAPITAL**

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

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **(a) Issued Capital** | | |
| 149,868,317 (2017: 121,227,119) ordinary shares fully paid | 24,744,232 | 15,977,562 |

**(b) Movements in Ordinary Share Capital**

| | | |
|---|---|---|
| 95,490,593 | Opening balance at 1 July 2016 | 12,325,646 |
| 270,270 | Issue of shares – New Challenge Royalty 5 July 2016 | 30,000 |
| 13,333,334 | Issue of shares – Placement 16 November 2016 | 2,000,000 |
| 10,210,000 | Issue of shares – Share Purchase Plan 8 December 2016 | 1,531,500 |
| 895,180 | Issue of shares – Share Subscription Agreement 21 December 2016 | 145,019 |
| 1,027,742 | Issue of shares – Share Subscription Agreement 4 March 2017 | 134,634 |
| | Costs of equity issues | (189,237) |
| 121,227,119 | Closing Balance at 30 June 2017 | 15,977,562 |
| 121,227,119 | Opening balance at 1 July 2017 | 15,977,562 |
| 283,019 | Issue of shares – New Challenge Royalty 4 July 2017 | 30,000 |
| 623,845 | Issue of shares – Share Subscription Agreement 6 July 2017 | 63,008 |
| 417,520 | Issue of shares – Share Subscription Agreement 14 September 2017 | 61,375 |
| 434,066 | Issue of shares – Share Subscription Agreement 13 December 2017 | 82,907 |
| 20,000,000 | Issue of shares – Placement 8 February 2018 | 6,800,000 |
| 5,888,972 | Issue of shares – Share Purchase Plan 23 February 2018 | 2,002,250 |
| 100,000 | Issue of shares – Exercise of Unlisted Consultant Options 11 April 2018 | 19,000 |
| 493,776 | Issue of shares – Share Subscription Agreement 13 April 2018 | 141,714 |
| 400,000 | Issue of shares – Exercise of Unlisted Consultant Options 13 June 2018 | 76,000 |
| | Costs of equity issues | (509,584) |
| 149,868,317 | Closing Balance at 30 June 2018 | 24,744,232 |

*New Challenge Royalty*

On 4 July 2017, Stavely issued 283,019 fully paid ordinary shares at 10.6c a share as consideration for the extension of the Stavely Royalty Option with New Challenge Resources Pty Ltd.

*Placement*

On 8 February 2018, Stavely issued 20,000,000 fully-paid ordinary shares at 34c a share pursuant to a placement to sophisticated and institutional investors. Gross proceeds were $6,800,000.

*Share Purchase Plan*

On 23 February 2018, Stavely issued 5,888,972 fully-paid ordinary shares at 34c a share pursuant to a Share Purchase Plan. Gross proceeds were $2,002,250.

*Share Subscription Agreement*

In October 2014, Stavely Minerals entered into a $2 million Share Subscription Agreement with its existing drilling contractor, Titeline Drilling Pty Ltd. Pursuant to this agreement, the drilling contractor has agreed to subscribe for up to $2 million of shares, with Stavely Minerals having the option to settle monthly drilling charges by way of cash payment and by way of offset of the price of subscription application for shares.

During the year ended 30 June 2018, 1,969,207 ordinary shares ($349,004) were issued pursuant to the Share Subscription Agreement with Titeline Drilling Pty Ltd and Greenstone Property Pty Ltd as trustee for the Titeline Property Trust. As at 30 June 2018, cumulative subscriptions totalled $1,134,694 (2017: $785,689).

**NOTE 12 – ISSUED CAPITAL - continued**

**(c) Options on issue at 30 June 2018**

| | Number | Exercise Price | Expiry Date |
|---|---|---|---|
| Unlisted Options | 9,587,500 | 19 cents | 31/12/2018 |
| Unlisted Options | 7,050,000 | 21 cents | 31/12/2020 |
| | 16,637,500 | | |

During the year:

(i) 16,637,500 unlisted options were granted as share-based payments (2017: 14,750,000);
(ii) 28,650,000 unlisted options expired (2017: 13,000,000); and
(iii) 500,000 unlisted options were exercised at an exercise price of 19 cents (2017: nil).

**(d) Terms and conditions of issued capital**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

**(e) Capital management**

When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintains optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market. Management has no current plans to adjust the capital structure. There are no plans to distribute dividends in the next year.

**NOTE 13 - RESERVES**

*Share-based payment transactions*
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model.

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Equity-based payments reserve** | | |
| Balance at the beginning of the year | 2,189,111 | 1,168,877 |
| Equity-based payments expense | 1,106,742 | 1,020,234 |
| Balance at the end of the year | 3,295,853 | 2,189,111 |

*Nature and purpose of the reserve:* The Equity-based payments reserve is used to recognise the fair value of options granted.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| **(a) Operating leases (non-cancellable):** | | |
| Within one year | 127,260 | 115,331 |
| More than one year but not later than five years | 96,605 | 8,028 |
| | 223,865 | 123,359 |

These non-cancellable operating leases are primarily for office premises, residential premises at site and a ground lease.

**(b) Exploration Commitments**

The Group has certain minimum exploration commitments to maintain its right of tenure to exploration permits. These commitments require estimates of the cost to perform exploration work required under these permits.

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| **Tenement Expenditure Commitments:**<br>The Group is required to maintain current rights of tenure to tenements, which require outlays of expenditure in 2018/2019. Under certain circumstances these commitments are subject to the possibility of adjustment to the amount and/or timing of such obligations, however, they are expected to be fulfilled in the normal course of operations. | 531,200 | 561,700 |

**(c) Contingencies**

The Company is party to a Deed of Option and Royalty relating to the Stavely tenement EL 4556. The Group had no other contingent liabilities at year end (2017: same).

**NOTE 15 – RELATED PARTIES**

**(a) Compensation of Key Management Personnel**

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Short-term employment benefits | 345,010 | 264,831 |
| Post-employment benefits | 31,429 | 22,800 |
| Equity-based payment | 734,346 | 640,318 |
| | 1,110,785 | 927,949 |

**(b) Other transactions and balances with Key Management Personnel**

**Other Transactions with Key Management Personnel**

Mr Peter Ironside, Director, is a shareholder and director of Ironside Pty Ltd. Ironside Pty Ltd is a shareholder of the 168 Stirling Highway Syndicate, the entity which owns the premises the Company occupies in Western Australia. During the year an amount of $134,611 (net of GST) was paid/payable for office rental and variable outgoings (2017: $149,310 (net of GST)).

Mr Peter Ironside, Director, is also a shareholder and non-executive director of Zamanco Minerals Limited ("Zamanco"). Zamanco sub-leases office space in the premises the Company occupies. During the year an amount of $36,948 (net of GST) was paid/payable by Zamanco to the Company for reimbursement of office rental and associated expenses (2017: $40,325 (net of GST)).

**NOTE 15 – RELATED PARTIES - continued**

**(c) Transactions with Other Related Parties**

There were no transactions with other related parties (2017: none).

**NOTE 16 – AUDITOR'S REMUNERATION**

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Amount received or due and receivable by the auditor for: | | |
| Auditing the financial statements, including audit review - current year audits | 34,611 | 33,923 |
| Other services – taxation and corporate advisory | 9,810 | 19,116 |
| Total remuneration of auditors | 44,421 | 53,039 |

**NOTE 17 – SEGMENT INFORMATION**

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

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

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:
- Nature of the products and services,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

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

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The Group does not have any material operating segments with discrete financial information. The Group does not have any customers and all its' assets and liabilities are primarily related to the mining industry and are located within Australia. The Board of Directors review internal management reports on a regular basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

## NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

**Interest revenue**
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

The Group's principal financial instrument comprises cash. The main purpose of this financial instrument is to provide working capital for the Group's operations.

The Group has various other financial instruments such as sundry debtors, security bonds and trade creditors, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments is interest rate risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

**Interest rate risk**
At reporting date the Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash and bonds. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

At reporting date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

| | **30 June 2018** | **30 June 2017** |
|---|---|---|
| | **$** | **$** |
| *Financial Assets:* | | |
| Cash and cash equivalents - interest bearing | 6,559,041 | 2,435,603 |
| Trade and other receivables - bonds | 80,000 | 80,000 |
| Net exposure | 6,639,041 | 2,515,603 |

*Sensitivity*
At 30 June 2018, if interest rates had increased by 0.5% from the year end variable rates with all other variables held constant, post tax profit and equity for the Group would have been $32,576 higher (2017: changes of 0.5% $12,577 higher). The 0.5% (2017: 0.5%) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical RBA movements over the last year.

**Liquidity risk**
The Group has no significant exposure to liquidity risk as there is effectively no debt. The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

**Credit risk**
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

Significant cash deposits are with institutions with a minimum credit rating of AA (or equivalent) as determined by a reputable credit rating agency e.g. Standard & Poor.

The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

## NOTE 19 – PARENT ENTITY INFORMATION

| | Company | |
|---|---|---|
| | 30 June 2018 | 30 June 2017 |
| | $ | $ |
| **Statement of Financial Position Information** | | |
| Current assets | 6,821,894 | 2,647,469 |
| Non-current assets | 3,150,733 | 3,073,896 |
| Current liabilities | (1,773,327) | (472,961) |
| Net Assets | 8,199,300 | 5,248,404 |
| | | |
| Issued capital | 24,744,232 | 15,977,562 |
| Reserves | 3,295,853 | 2,189,111 |
| Accumulated losses | (19,840,785) | (12,918,269) |
| | 8,199,300 | 5,248,404 |
| **Profit or loss information** | | |
| Loss for the year | (6,922,516) | (3,945,101) |
| Comprehensive loss for the year | (6,922,516) | (3,945,101) |

**Commitments and contingencies**

There are no commitments or contingencies, including any guarantees entered into by Stavely Minerals Limited on behalf of its subsidiaries.

| **Subsidiaries** | | | **30 June 2018** | **30 June 2017** |
|---|---|---|---|---|
| **Name of Controlled Entity** | **Class of Share** | **Place of Incorporation** | **% Held by Parent Entity** | |
| Ukalunda Pty Ltd | Ordinary | Australia | 100% | 100% |

## NOTE 20 – EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no matters or circumstances that have arisen since 30 June 2018 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial years.

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**INDEPENDENT AUDITOR'S REPORT**

To the members of Stavely Minerals Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Stavely Minerals Limited (the Company) and its subsidiaries (the Group), 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 report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; 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 Group in accordance with 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 the Company, 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.

### 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.

**Accounting for Exploration and Evaluation Assets**

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| As disclosed in Note 9 to the financial report, the carrying value of capitalised exploration and evaluation expenditure represents a significant asset of the Group.<br><br>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), the recoverability of exploration and evaluation expenditure required significant judgement by management in determining whether there are any facts or circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter. | Our procedures included, but were not limited to:<br><br>• Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date;<br><br>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes;<br><br>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;<br><br>• Considering whether any facts or circumstances existed to suggest impairment testing was required; and<br><br>• We also assessed the adequacy of the related disclosures in Note 9 to the Financial Statements. |

**Other information**

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

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

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

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

**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 ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 39 to 43 of the directors' report for the year ended 30 June 2018.

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

**Responsibilities**

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

**BDO Audit (WA) Pty Ltd**

BDO

Glyn O'Brien

**Glyn O'Brien**

**Director**

Perth, 12 September 2018

Information as at 6 September 2018

**a) Substantial Shareholders**

| Name | Number of Ordinary Shares per Notice given to Stavely Minerals Limited |
|---|---|
| Peter Reynold Ironside | 30,295,361 |
| Christopher John Cairns | 15,007,419 |
| Greenstone Property Pty Ltd and Associates | 7,568,014 |

**b) Shareholder Distribution Schedule**

| Size of Holding | | | Number of Shareholders |
|---|---|---|---|
| 1 | - | 1,000 | 76 |
| 1,001 | - | 5,000 | 196 |
| 5,001 | - | 10,000 | 209 |
| 10,001 | - | 100,000 | 653 |
| 100,001 | and over | | 160 |
| Total | | | 1,294 |
| Number of shareholders holding less than a marketable parcel | | | 141 |

**c) Voting Rights**

(i) at meetings of members entitled to vote each member may vote in person or by proxy or attorney, or in the case of a member which is a body corporate, by representative duly appointed under section 250D;

(ii) on a show of hands every member entitled to vote and present in person or by proxy or attorney or representative duly authorised shall have one (1) vote;

(iii) on a poll every member entitled to vote and present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he is the holder and in the case of contributing shares until fully paid shall have voting rights pro rata to the amount paid up or credited as paid up on each such share; and

(iv) a member shall not be entitled to vote at general meeting or be reckoned in a quorum in respect of any shares upon which any call or other sum presently payable by him is unpaid.

**d) Twenty largest shareholders:**

| | Name | Number of Ordinary Shares | % of Issued Capital |
|---|---|---|---|
| 1 | Chaka Investments Pty Ltd | 19,580,000 | 12.91 |
| 2 | Goldwork Asset Pty Ltd <The Cairns Family A/C> | 9,759,032 | 6.43 |
| 3 | Greenstone Property Pty Ltd <Titeline Property A/C> | 8,722,544 | 5.75 |
| 4 | Citicorp Nominees Pty Limited | 7,903,867 | 5.21 |
| 5 | BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP> | 6,398,283 | 4.22 |
| 6 | Ironside Pty Ltd <Ironside Super Fund A/C> | 5,715,361 | 3.77 |
| 7 | Goldwork Asset Pty Ltd <Cairns Family S/F A/C> | 5,238,387 | 3.45 |
| 8 | Ironside Pty Ltd <Ironside Family A/C> | 5,000,000 | 3.30 |
| 9 | Mrs Jennifer Elaine Murphy | 3,427,097 | 2.26 |
| 10 | Michelle Maria Skinner | 2,457,151 | 1.62 |
| 11 | National Nominees Limited | 1,959,961 | 1.29 |
| 12 | Mr Harle John Mossman | 1,399,779 | 0.92 |
| 13 | Ms Savannah Sydney Jackson | 1,391,584 | 0.92 |
| 14 | DK & SJ Pty Ltd <The DK & SK Investment A/C> | 1,280,353 | 0.84 |
| 15 | JC Holdings Pty Ltd | 1,250,000 | 0.82 |
| 16 | Mick Ashton Nominees Pty Ltd <Ashton Family A/C> | 1,250,000 | 0.82 |
| 17 | Mr Colin Weekes | 1,239,942 | 0.82 |
| 18 | Sanluri Pty Ltd <Ricciardi Family A/C> | 1,233,000 | 0.81 |
| 19 | Ms Xiaodan Wu | 1,192,425 | 0.79 |
| 20 | BNP Paribas Noms Pty Ltd <DRP> | 1,162,980 | 0.77 |
| | | **87,561,746** | **57.74** |
| | Shares on issue at 6 September 2018 | **151,658,640** | |

**e) Unlisted Options**

| Name | 31/12/2018 19 cents | 31/12/2020 21 cents |
|---|---|---|
| *Directors:* | | |
| W Plyley | 750,000 | 300,000 |
| C Cairns | 2,500,000 | 2,500,000 |
| J Murphy | 1,800,000 | 1,800,000 |
| P Ironside | 950,000 | 300,000 |
| *Others:* | | |
| H Forgan | 700,000 | 425,000 |
| M Skinner | 700,000 | 425,000 |
| A Sparks | 1,075,000 | 625,000 |
| Q Te Tai | 700,000 | 425,000 |
| B Nijhof | 412,500 | 250,000 |
| | 9,587,500 | 7,050,000 |

Tenement Portfolio - Victoria

| Area Name | Tenement | Grant Date/ (Application Date) | Size ($Km^2$) |
|---|---|---|---|
| Mt Ararat | EL 3019 | 21 December 1989 | 23 |
| Ararat | EL 4758 | 29 January 2004 | 12 |
| Stavely | EL 4556 | 5 April 2001 | 139 |
| Black Range JV | EL5425 | 18 December 2012 | 201 |
| Yarram Park | EL 5478 | 26 July 2013 | 53 |
| Ararat | EL 5486 | 10 July 2014 | 1 |
| Ararat | EL 6271 | 21 July 2016 | 6 |
| Ararat | RLA 2020 | (12 June 2014) | 28 |
| Stavely | RLA 2017 | (20 May 2014) | 139 |

Tenement Portfolio - Queensland

| Area Name | Tenement | Grant Date/ (Application Date) | Size ($Km^2$) |
|---|---|---|---|
| Ravenswood West | EPM26041 | 24 May 2016 | 241 |
| Ravenswood North | EPM26152 | 15 September 2016 | 48 |
| Dreghorn | EPM26303 | 23 March 2017 | 49 |
| Kirk North | EPM26304 | 23 March 2017 | 21 |


**STAVELY MINERALS** LIMITED

ABN 33 119 826 907

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