Cazaly Resources Limited
ABN: 23 101 049 334
and
Controlled Entities

Annual Report

For the Year Ended
30 June 2018

CAZALY
RESOURCES LIMITED

CONTENTS

JOINT MANAGING DIRECTORS

Nathan McMahon
Clive Jones

NON-EXECUTIVE DIRECTOR

Terry Gardiner

COMPANY SECRETARY

Mike Robbins

PRINCIPAL & REGISTERED OFFICE

Level 2, 38 Richardson Street
WEST PERTH WA 6005

AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Tce
Perth WA 6000

SHARE REGISTRAR

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009
PERTH WA 6000

STOCK EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: CAZ

BANKERS

National Australia Bank
100 St Georges Terrace
PERTH WA 6000

Your directors present their report, together with the financial statements of Cazaly Resources Limited ('the Company' or 'Cazaly') and its controlled entities ('the Group') for the financial year ended 30 June 2018.

1. DIRECTORS AND COMPANY SECRETARY

Directors

The following directors have been in office since the start of the financial year to the date of this report unless otherwise stated:

Nathan McMahon
Clive Jones
Terry Gardiner

Company Secretary

Mike Robbins

2. PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial period was mineral exploration.

There were no significant changes in the nature of the Group's principal activities during the financial period.

3. OPERATING RESULTS & FINANCIAL POSITION

The Group's loss after tax for the year was $1,472,564 (2017: $1,427,577). The Group's net assets at the end of the year are $21,398,306 (2017: $20,532,994).

Cash and cash equivalents as at year end were $1,474,219 (2017: $723,262).

Exploration expenditure for the year was $1,503,714 (2017: $1,466,350). The majority of this expenditure was on Mt Venn and the Kaoko Kobalt Project in Namibia. Exploration expenditure written off for the year was $641,517 compared to $718,451 in the 2017 financial year. The main write offs this year related to the Halls Creek, the Tsumkwe project in Namibia, the Goldfields Alliance, non-essential Parker Range and Coolgardie areas as well as previously capitalised expenditures relating to the various tenements and/or applications that were relinquished during the financial year.

Net administration expenses and employee benefits for the year totalled $584,555 (2017: $718,714).

During the next financial year the Group intends to continue to further develop its newly acquired core projects whilst also exploring new key commodity opportunities both in Australia and overseas. These opportunities are being explored by the Board and corporate consultants who operate on a success fee basis only.

4. RISKS

There are specific risks associated with the activities of the Group and general risks which are largely beyond the control of the Group and the Directors. The risks identified below, or other risk factors, may have a material impact on the future financial performance of the Group and the market price of the Company's shares.

All mining ventures are exposed to risks and the Group continues to monitor risks associated with current projects whilst also analysing the risks associated with any new mining opportunities. These risks may cover such areas as:

- Title Risk

This may specifically cover mining tenure whereby country specific mining laws and legislation apply.

Any opportunity in Australia and overseas will be subject to particular risks associated with operating in Australia or the respective foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, exchange control, exploration licensing, export duties, investment into a foreign country and repatriation of income or return of capital, environmental protection, land access and environmental regulation, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits be provided to local residents.

- Exploration Risk

The Directors of the Company realise that mineral exploration and development are high risk undertakings due to the high level of inherent uncertainty. There can be no assurance that exploration of the Group's tenements, or of any other tenements that may be acquired by the Group in the future, will result in the discovery of economic mineralisation. Even if economic mineralisation is discovered there is no guarantee that it can be commercially exploited.

Any future exploration activities of the Group may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Group.

- Resource Estimates

The Group's projects may contain JORC Code compliant resources. There is no guarantee that a JORC Code compliant resource will be discovered on any of the Group's other tenements. Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Group's operations and the value of the Company's listed shares.

- Access Risks – Cultural Heritage and Native Title

The Group must comply with various country specific cultural heritage and native title legislation including access agreements which require various commitments, such as base studies and compliant survey work, to be undertaken ahead of the commencement of mining operations.

It is possible that some areas of those tenements may not be available for exploration due to cultural heritage and native title legislation or invalid access agreements. The Group may need to obtain the consent of the holders of such interests before commencing activities on affected areas of the tenements. These consents may be delayed or may be given on conditions which are not satisfactory to the Group.

- JV and Contractual Risk

The Group has and may have additional options where it can increase its holding in the selective assets by achieving or undertaking selected milestones. The Group's ability to achieve its objectives and earn or maintain an interest in these projects is dependent upon it and the registered holders of those tenements complying with their respective contractual obligations under joint venture agreements in respect of those tenements, and the registered holders complying with the terms and conditions of the tenements and any other relevant legislation.

- Economic

General economic conditions, introduction of tax reform, new legislation, the general level of activity within the resources industry, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Group's exploration, development and possible production activities, as well as on its ability to fund those activities.

- Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Group's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Group nor the Directors warrant the future performance of the Group or any return on an investment in the Company.

- Volatility in Global Credit and Investment Markets

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Group and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which any Listed Options and Shares trade regardless of operating performance and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

- Commodity Price Volatility and Exchange Rates Risks

If the Group achieves success leading to mineral production, the revenue it will derive through the sale of gold, iron ore, lithium or any other minerals it may discover exposes the potential income of the Group to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Group. Such factors include supply and demand fluctuations for commodities and metals, technological advancements, forward selling activities and other macro-economic factors such as inflation expectations, interest rates and general global economic conditions.

Furthermore, international prices of various commodities are denominated in United States dollars whereas the income and expenditure of the Group are and will be taken into account in Australian currency. This exposes the Group to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

If the price of commodities declines this could have an adverse effect on the Group's exploration, development and possible production activities, and its ability to fund these activities, which may no longer be profitable.

- Environmental Risks

The operations and proposed activities of the Group are subject to each project's jurisdiction, laws and regulations concerning the environment. As with most exploration projects and mining operations, the Group's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Future legislation and regulations governing exploration, development and possible production may impose significant environmental obligations on the Group.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Group from being able to develop potential economically viable mineral deposits. The Group may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals or to obtain them on terms acceptable to the Group may prevent the Group from undertaking its desired activities. The Group is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Group to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Group's business, financial condition and results of operations.

- Sovereign and Political Risk

The Company has an 80% interest in two uranium applications in the Czech Republic and a 51% interest in the Kaoko Kobalt Project in Namibia.

The Company's interests in the Czech Republic and Namibia are subject to the risks associated with operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, exchange control, exploration licensing, export duties, investment into a foreign country and repatriation of income or return of capital, environmental protection, land access and environmental regulation, mine safety, labour relations as well as government control over petroleum properties or government regulations that require the employment of local staff or contractors or require other benefits be provided to local residents.

The Company may also be hindered or preventing from enforcing its rights with respect to government instrumentalities because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in the Czech Republic or Namibia that affect ownership, development or mining activities, may affect the viability and profitability of the Company.

The legal systems operating in the Czech Republic and Namibia are different to that in Australia and this may result in risks such as:

- Different forms of legal redress in the courts whether in respect of a breach of law or regulation, or in ownership dispute.
- A higher degree of discretion on the part of governmental agencies.
- Differences in political and administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights.
- Different attitudes of the judiciary and court.
- Difficult in enforcing judgments.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness and enforcement of such arrangements cannot be assured. Further, there is no guarantee that any applications for tenements will be granted or granted on conditions satisfactory to the Company.

The Company's future operations in the Czech Republic and Namibia may be affected by changing political conditions and changes to laws and petroleum and/or mining policies. The effects of these factors cannot be accurately predicted and developments may impede the operation or development of a project or even render it uneconomic.

The above risks are not exhaustive but are the minimum exposure areas observed by the Group.

5. *DIVIDENDS PAID OR RECOMMENDED*

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

6. *REVIEW OF OPERATIONS*

<u>Projects</u>

Kaoko Kobalt Project (51%)

As announced on 26 March 2018, the Company acquired an option to earn the rights to a 95% interest in the Kaoko Kobalt Project ('Kaoko Project') in Namibia. The Kaoko Project initially comprised key exploration licence EPL6667 which was granted to a local Namibian company (KDN Geo Consulting CC)('KDN') for a 3 year period from February 2018.

The option acquired was for the right to purchase 100% of the capital in Kunene North Pty Ltd ("Kunene"), an Australian unlisted proprietary company. Kunene's main asset is the Joint Venture ("KDN JV") that Kunene holds with KDN. The KDN JV is administered through a jointly owned Namibian company, Philco One Hundred and Seventy Three (Proprietary) Limited ("Philco").

KDN JV:

Philco is currently owned 51% by Kunene and 49% by KDN. Licence EPL6667 has now been transferred to Philco. Kunene can earn further equity in Philco and the Kaoko Project as follows:

i) Spending N$1 million (~A$90,000) by 15 March 2019 to earn a further 25% in Philco (76% total)
ii) Paying KDN N$1 million (~A$90,000) no later than when Kunene has earned 76% equity (*)
iii) Spending N$2 million (~A$180,000) by 18 November 2020 to earn a further 19% in Philco (95% total)
iv) KDN's remaining 5% free carried to a definitive feasibility study and to be NEEEF compliant (governmental draft "New Equitable Economic Empowerment Framework")
v) KDN's expenditure thereafter to be carried in a loan account

(*) – On 19 April 2018, the Company issued KDN with 2 million fully paid shares in the Company to obviate the N$1 million payment due in clause (ii) of the KDN JV.

Kunene Purchase Agreement:

The Company acquired 100% of the issued capital of Kunene, and therefore its rights under the KDN JV, as follows:

i) Paid an Option Fee of US$5,000 for an exclusive option period.
ii) Issued 4 million fully paid shares in CAZ to the shareholders of Kunene
iii) Issue 10.5 million CAZ fully paid shares upon the delineation of a JORC compliant mineral resource containing at least 10,000t of contained cobalt (or other metal equivalent)
iv) Pay A$1 million (or issuing fully paid CAZ shares to that amount) upon a formal Decision to Mine

The Kaoko Project is located in northern Namibia approximately 800km by road from the capital of Windhoek and approximately 750km from port of Walvis Bay (Figure 1). It is primarily prospective for base metal mineralisation (refer to ASX announcement dated 26 March 2018).

Figure 1 – Location of Kaoko Kobalt Project

The Kaoko Project is situated immediately to the north of, and abuts, Celsius Resources Limited's ("Celsius") (ASX:CLA) *Opuwo Cobalt* project. IN April 2018, Celsius announced a maiden resource for the project of 112Mt @ 0.11% Co & 0.41% Cu (CLA ASX release 16 April, 2018).

The Company also extended its potential tenure, to ~1,410km^2 in the region, through the application of two new Exploration Prospecting Licences contiguous with the existing EPL6667 (refer to ASX announcement dated 3 May 2018).

The Kaoko Project has only had cursory exploration in the past, the results of which highlighted widespread base metal mineralisation. Aside from having the potential of ~80km of prospective dolomite ore formation ('DOF') a previous regional 1km by 1km soils programme delineated a 20km by 5km area of subdued magnetics coincident with anomalous Cu-Co-Zn-Mn at the *Kamwe* prospect.

Initial work by the Company included a review of historical data and geological and logistical reconnaissance of the Kamwe target, the extrapolated 'DOF' stratigraphic horizon in the southwest and the Tsumeb stratigraphy in the far northeast.

The data review included analysing the historic multi-element geochemical database with particular focus on the main target areas where mapping, airborne geophysics and further geochemical sampling is planned to commence shortly. A number of metal associations, geochemical trends and anomalies were identified from this work with several areas potentially related to bedrock mineralisation or alteration highlighted. The review confirmed the ~20km x 5km *Kamwe* target as a high priority target with a highly anomalous and coherent association of elements including Cu, Co, As, Ag, Pb, Zn, Ni, Mo and Ti associated with structural trends.

Two areas of outcropping copper bearing gossans were encountered within the Kamwe target during initial field reconnaissance. The gossans, hosted by a sequence of dolomite dominant rocks within the central Nosib Formation, occur as quartz-carbonate-barite-pyrite-chalcopyrite veins associated with WNW-ESE trending shear zones. Kamwe represents a major target with significant potential and an ideal 'plumbing' system related to major first and second order faults/shears. Laboratory delays were experienced in analysing the samples however this has now been resolved with results from sampling of the gossans returning high grade copper values including; 17.8% and 10.2% Cu (as per ASX announcement dated 25 July 2018). Follow up detailed geological mapping of this extensive target is currently being conducted and an in-country exploration team has been established.

Reconnaissance in the southwest portion of EPL6667 targeted a ~20km long area being the extrapolated stratigraphic position of the 'DOF'. Being a dominantly shaley unit however, the 'DOF' is rarely observed in outcrop as it weathers quickly and is typically covered by more recent alluvial and colluvial cover. Accordingly, the unit was not observed in the work. Review of aerial photography of the other potential positions of the 'DOF' in the licence indicated that it was unlikely to outcrop and that the optimal way to explore the presence of the unit was to conduct an airborne electromagnetic ('EM') survey. Accordingly, a major combined airborne EM and magnetic survey covering the extrapolated positions of the 'DOF', as well as other target areas including the Kamwe target, was contracted to Skytem ApS and conducted in September. The survey areas (Figure 3) are designed to delineate conductive horizons including sulphide mineralisation associated with base metals to depths of around 300-400 metres. SkyTem ApS has recently conducted work in-country utilising its equipment to fly surveys for neighbouring Celsius Resources and Namibian Critical Metals (TSX:NMI) at properties adjacent to Cazaly's Kaoko Project.

Other areas to be investigated include the Goudina, Etoto West and Okatjene base metal occurrences (Figure 2) where outcropping rocks hosting galena (Pb) – malachite/azurite (Cu) mineralisation have previously been observed.

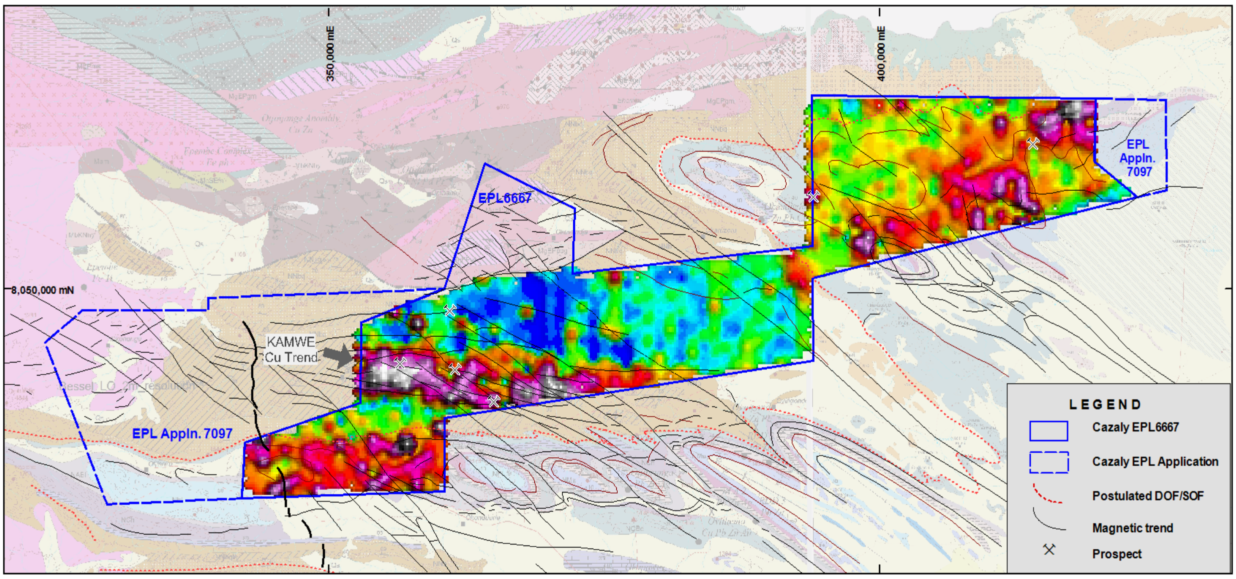

Figure 2: Copper distribution, ICP data on geology, Kaoko project

Parker Range Iron Ore Project (100%)

The project hosts a near mine-ready iron ore deposit located in the Yilgarn of Western Australia key features of which include ultra-low Phosphorous haematite ore, completed full DFS, located nearby to major infrastructure and has its key approvals to mine in place. The Company is in continued discussions with infrastructure advisors and is reviewing export solutions. The nature of the ultra-low phosphorous ore makes this orebody in demand as a blending ore.

The Company notes the following:

- Recent announcements of Mineral Resources Limited (ASX:MIN) dated 13 June 2018 and 19 July 2018 whereby it was stated that MIN has entered into a definitive agreement with Cleveland-Cliffs Inc. (NYSE: CLF, Cliffs) to acquire the assets that were used by its wholly owned subsidiary, Cliffs Asia Pacific Iron Ore Pty Ltd, to run its Koolyanobbing iron ore operation in the Yilgarn region of Western Australia. The assets that MIN will acquire include Cliffs' tenements and all remaining iron ore as well as the fixed plant, equipment and non-process infrastructure items on those tenements; and
- The Port of Esperance has previously exported up to 13M tonnes per annum of iron ore and MIN have indicated that they aim to export 6-6.25M tonnes per annum.

Mount Venn Project (100%)

The Company has entered into a Share Sale Agreement with Sulphide X Limited ('Sulphide'), a private company that plans to list on the ASX. An option fee has been paid and Sulphide has an initial three month exclusivity period to conduct its due diligence on the Mount Venn project.

If Sulphide proceeds with the acquisition, the Company receives proceeds of $1m plus 3,000,000 consideration shares or a minimum 5% equity in the Sulphide vehicle once listed. The Company will also receive a once off payment of $500,000 upon the delineation of a 500,000 ounce JORC gold resource and a further $500,000 payment upon the delineation of a 1,000,000 ounce JORC resource. The Company will also retain a 1.5% Net Smelter Royalty which Sulphide may purchase for $1,000,000 at any stage.

Mount Tabor and Bungonia Cobalt Projects (100%)

In order to focus on their main projects, the Company elected to explore the divesture of the Mount Tabor and Bungonia projects. An option agreement was signed with a private company, who paid a nominal fee for a six month exclusivity option, but they recently decided not to proceed with the purchase of these tenements.

Kurabuka Creek Project (100%)

The Kurabuka Creek Project comprises exploration licence application 09/2267 over 69 sub blocks in the Bangemall Basin of Western Australia. The area is prospective for shale hosted base metal mineralisation as demonstrated by historic work. BHP reported rock chip sampling of workings in 1985 containing lead mineralization between 245ppm and 28.1% Pb (2.12% Pb average) and zinc mineralization between 32ppm and 26.1% Zn (1.5% Zn average) from 20 samples.

Cazaly has collated all open file data sets and is preparing for field reconnaissance work investigating the potential of this area to host significant mineralisation. Grant of the tenement is expected during the current quarter.

McKenzie Springs Project (100% - FIN earning 51%)

During the quarter, FIN Resources Limited (ASX:FIN) listed on the ASX. Previously the Company entered into an agreement with FIN whereby FIN may earn an upfront 51% working interest in McKenzie Springs for the following consideration:

- 5,000,000 shares in FIN
- 10 million options in FIN (post consolidation) exercisable at 3 cents per share 3 years from date of readmission – this will be approximately 4.34% of the issued capital in FIN
- FIN will also commit to expenditure of $500,000 within 18 months from readmission following which it will earn another 19% in the project to take its ownership in the project to 70%.

The project is located immediately south & along strike of the Savannah Nickel Mine (Panoramic Resources Ltd), Kimberley, WA. Prospective ultramafic basal contact extends for ~15km. Work by Cazaly has identified high grade gossan samples returned 12.8% Cu, 1.92% Ni, 0.17% Co. The project is also within 10km of the Hexagon Resources McIntosh Graphite Resource. Reprocessing and imaging of historic VTEM data was completed by Cazaly with several conductor targets potentially representing graphitic units ready for follow up.

Czech Republic (CAZ 80%)

Two uranium project applications, Brzkov & Horni Venice, located in the Czech Republic. State enterprise Diamo are closing the country's only operating uranium mine & has indicated interest in mining at Brzkov.

Goldfields Lithium Alliance

The Company withdrew from the Goldfields Lithium Alliance to focus on its core projects.

Corporate

On 14 December 2017, the Company announced the completion of a capital raising through the issue of unsecured convertible notes via a Perth based portfolio management and corporate advisory firm, Oracle Capital Group Pty Ltd (Oracle) to raise up to $750,000 through the issue of up to 750,000 convertible notes, each with a face value of one dollar ($1.00). Oracle (or their nominees) would also be entitled to 10 options for each convertible note issued, exercisable at $0.06 on or before 31 December 2019. A total of 730,000 convertible notes were issued and the associated 7,300,000 unquoted options were issued on 8 January 2018. The conversion of the convertible note debt instruments to convertible equity was approved by shareholders on 13 March 2018.

On 8 January 2018, the Company issued 1,083,455 fully paid ordinary shares in lieu of services provided by a drilling contractor and a further 3,649,167 fully paid ordinary shares were issued on the conversion of $0.04 unlisted options.

The Company also issued 3,166,035 fully paid ordinary shares to Acuity Capital, on the same date, at average price of $0.056 for net proceeds of $177,298. These shares were issued under the Controlled Placement Deed ('CPD') which remains in place. The CPD provides Cazaly with up to $2 million of standby equity capital up until April 2019. Importantly, Cazaly retains full control of the placement process, including having sole discretion as to whether or not to utilise the CPD. Cazaly is under no obligation to raise capital under the CPD. If Cazaly does decide to utilise the CPD, it is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by Cazaly and a 10% discount to a Volume Weighted Average Price (VWAP) over a period of Cazaly's choosing (again at the sole discretion of the Company).

On 19 April 2018, the Company issued a total of 6,000,000 fully paid ordinary shares to the vendors and JV partner as initial consideration for the interest in the Kaoko Kobalt Project.

On 2 May 2018, the Company issued a total of 28,435,597 fully paid ordinary shares to sophisticated and professional investors under a placement announced on 24 April 2018. Total gross proceeds from the placement were $1,535,522.

7. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

The Group has continued to reduce its tenement holdings but is also focussed on sourcing key commodity projects.

8. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

9. AFTER BALANCE DATE EVENTS

The Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Group in subsequent financial years.

10. ENVIRONMENTAL ISSUES

The Company has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Company has adequate systems in place for the management of its environmental requirements. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors are not aware of any breach of environmental legislation for the financial year under review.

11. INFORMATION ON DIRECTORS

Nathan McMahon	**Managing Director (Corporate and Administration)**
Qualifications	*B.Com*
Experience	Mr McMahon has provided corporate and tenement management advice to the mining industry for nearly 25 years to in excess of twenty public listed mining companies. Nathan has specialised in native title negotiations, joint venture negotiations and project acquisition due diligence.
Equity Holdings	28,772,022 fully paid ordinary shares 2,500,000 options exercisable at $0.20 expiring 30 November 2018
Other Directorships	Hodges Resources Ltd (since May 2008) Galan Lithium Limited (since February 2011)
Clive Jones	**Managing Director (Technical)**
Qualifications	*B.App.Sc(Geol), M.AusIMM.*
Experience	Mr Jones has been involved in mineral exploration for over 25 years and has worked on the exploration for a range of commodities including gold, base metals, mineral sands, uranium and iron ore. Mr Jones is also a director of other ASX listed mining companies.
Equity Holdings	15,329,904 fully paid ordinary shares 2,500,000 options exercisable at $0.20 expiring 30 November 2018
Other Directorships	Corazon Mining Ltd (since February 2005) Bannerman Resources Ltd (since January 2007) Unity Mining Ltd (from January 2013 to June 2016)

Terry Gardiner	**Non-Executive Director**
Qualifications	*B.Bus.*
Experience	Mr Gardiner has been involved in capital markets, corporate advising, stockbroking & derivatives trading for over 20 years. For the past twelve years Mr Gardiner has been an Executive Director of boutique broker Barclay Wells Ltd. Mr Gardiner is also a director of numerous public unlisted companies.
Equity Holdings	1,375,000 fully paid ordinary shares
Other Directorships	Galan Lithium Limited (from December 2013)

Mike Robbins
Company Secretary

Mr Robbins has over 25 years resource industry experience gathered at both operational and corporate levels, both within Australia and overseas. During that time, he has held numerous project and head office roles and is also Company Secretary for Galan Lithium Limited.

12. REMUNERATION REPORT - AUDITED

This report details the nature and amount of remuneration for each director of the Company.

Remuneration Policy

The remuneration policy of Cazaly has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The further tailoring of goals between shareholders and the Directors and executives is achieved through the issue of equity to the directors and executives to encourage the alignment of personal and shareholder interest.

The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best personnel to run and manage the Company, as well as create goal congruence between Directors, executives and shareholders.

The remuneration policy, setting the terms and conditions for the Directors and executives was developed by the Managing Directors and approved by the Board after seeking professional advice from independent external consultants.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes benefit plans and other incentive plans.

Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

The Group is exploration and development focussed, and therefore speculative in terms of performance. Consistent with attracting and retaining talented people, the Directors and executives are paid market rates associated with individuals in similar positions, within the same industry.

12. REMUNERATION REPORT – AUDITED (Cont'd)

Options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board and executive performance.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed or carried forward on the balance sheet for time that is attributable to exploration and evaluation. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Managing Directors, in consultation with independent advisors as necessary, determine payments to the non-executive Directors and review their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, all Directors are encouraged to hold shares in the company.

Employment Contracts of Directors and Senior Executives

The employment conditions of the Managing Directors are each formalised in contracts of employment. These contracts commenced on 1 July 2010 and have 3 year rolling terms including CPI review clauses. The contracts provide Messrs. McMahon and Jones with annual salaries of $180,000 each. The Company may terminate these agreements at any time and without prior notice if serious misconduct has occurred. In this event only the fixed proportion of the remuneration is payable and only up until the date of the termination.

There is also a contract in place for the non-executive director, Terry Gardiner. His annual fee is $30,000 per annum.

The employment contracts stipulate a range of one to three-month resignation periods. The Company may terminate an employment contract without cause by providing one to three months written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

12. REMUNERATION REPORT – AUDITED (Cont'd)

Details of Remuneration for Years Ended 30 June 2018 & 30 June 2017

The remuneration for key management personnel of the company during the year was as follows:

	Short-term Benefits				Post Employment Benefits	Other Long-term Benefits	Share based Payment		Total	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash Benefit	Other	Super	Other	Equity	Options		
	$	$	$	$	$	$	$	$	$	%
Nathan McMahon – Managing Director (i)										
2018	180,000	-	-	-	-	-	-	-	180,000	-%
2017	180,000	-	-	-	-	-	-	25,490	205,490	12%
Clive Jones – Managing Director (ii)										
2018	180,000	-	-	-	-	-	-	-	180,000	-%
2017	180,000	-	-	-	-	-	-	25,490	205,490	12%
Kent Hunter – Non Executive Director (iii)										
2018	-	-	-	-	-	-	-	-	-	-%
2017	17,500	-	-	-	-	-	-	-	17,500	-%
Terry Gardiner – Non Executive Director (iii)										
2018	30,000	-	-	-	-	-	-	-	30,000	-%
2017	17,500	-	-	-	-	-	-	-	17,500	-%
Total Remuneration										
2018	390,000	-	-	-	-	-	-	-	390,000	-%
2017	395,000	-	-	-	-	-	-	50,980	445,980	11%

i) An aggregate amount of $180,000 (2017:$ 180,000) was paid, or was due and payable to Kingsreef Pty Ltd, a company controlled by Mr Nathan McMahon, for the provision of corporate and tenement management services to the Company.
ii) An aggregate amount of $180,000 (2017:$ 180,000) was paid, or was due and payable to Widerange Corporation Pty Ltd, a company controlled by Mr Clive Jones, for the provision of corporate and technical services to the Company.
iii) Mr Kent Hunter resigned as a director on 1 December 2016. Mr Terry Gardiner commenced as a director on 1 December 2016.

Related Party Information

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the Company and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 4 to the accounts.

12. REMUNERATION REPORT – AUDITED (Cont'd)

Key Management Personnel (KMP) Share and Option Holdings

Shares

30 June 2018	Balance 01-07-17	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30-06-18
N McMahon	27,236,299	-	-	1,535,723	28,772,022
C Jones	14,579,904	-	750,000	-	15,329,904
K Hunter (i)	-	-	-	-	-
T Gardiner (i)	1,225,000	-	150,000	-	1,375,000
	43,041,203	-	900,000	1,535,723	45,476,926

30 June 2017	Balance 01-07-16	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30-06-17
N McMahon	21,622,766	-	-	5,613,533	27,236,299
C Jones	11,146,571	-	-	3,433,333	14,579,904
K Hunter (i)	212,501	-	-	(212,501)	-
T Gardiner (i)	925,000	-	-	300,000	1,225,000
	33,906,838	-	-	9,134,365	43,041,203

Unquoted Options

30 June 2018	Balance 01-07-17	Issued Acquired	Exercised	Lapsed	Balance 30-06-18	Vested during the year	Vested and exercisable
N McMahon	4,166,667	-	-	(1,666,667)	2,500,000	-	2,500,000
C Jones	4,166,667	-	(750,000)	(916,667)	2,500,000	-	2,500,000
K Hunter (i)	-	-	-	-	-	-	-
T Gardiner (i)	-	150,000	(150,000)	-	-	-	-
	8,333,334	150,000	(900,000)	(2,583,334)	5,000,000	-	5,000,000

30 June 2017	Balance 01-07-16	Issued Acquired	Exercised	Lapsed	Balance 30-06-17	Vested during the year	Vested and exercisable
N McMahon	1,500,000	4,166,667	-	(1,500,000)	4,166,667	4,166,667	4,166,667
C Jones	1,500,000	4,166,667	-	(1,500,000)	4,166,667	4,166,667	4,166,667
K Hunter (i)	500,000	-	-	(500,000)	-	-	-
T Gardiner (i)	-	-	-	-	-	-	-
	3,500,000	8,333,334	-	(3,500,000)	8,333,334	8,333,334	8,333,334

Quoted Options

30 June 2018	Balance 01-07-17	Issued	Exercised	Lapsed	Balance 30-06-18	Vested during the year	Vested and exercisable
N McMahon	-	-	-	-	-	-	-
C Jones	-	-	-	-	-	-	-
K Hunter (i)	-	-	-	-	-	-	-
T Gardiner (i)	59,923	-	-	-	59,923	-	59,923
	59,923	-	-	-	59,923	-	59,923

12. REMUNERATION REPORT – AUDITED (Cont'd)

30 June 2017	Balance 01-07-16	Issued	Exercised	Lapsed	Balance 30-06-17	Vested during the year	Vested and exercisable
N McMahon	-	-	-	-	-	-	-
C Jones	-	-	-	-	-	-	-
K Hunter (i)	-	-	-	-	-	-	-
T Gardiner (i)	-	59,923	-	-	59,923	-	59,923
	-	59,923	-	-	59,923	-	59,923

(i) Mr Hunter resigned as a Director on 1 December 2016. Mr Gardiner commenced as a Director on 1 December 2016.

Voting and comments made at the Company's 2017 Annual General Meeting

The adoption of the Remuneration Report for the financial year ended 30 June 2017 was put to the shareholders of the Company at the Annual General Meeting held 24 November 2017. The Company received 100% of the vote, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2017 financial year. The resolution was passed without amendment on a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of Remuneration Report (Audited).

13. MEETINGS OF DIRECTORS

The number of directors' meetings held and conducted during the financial year, each director held office during the financial year and the number of meetings attended by each director is:

	Directors Meetings	
Director	**Number Eligible**	**Number Participated**
N McMahon	5	5
C Jones	5	5
T Gardiner	5	5

The Company does not have a formally constituted audit and risk committee or remuneration and nomination committee as the Board considers that the Company's size and type of operation do not warrant the formation of such committees.

14. INDEMNIFYING OFFICERS OR DIRECTORS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. No indemnification has been paid with respect to the Company's auditor.

The Company has insurance policies in place for Directors and Officers insurance.

15. OPTIONS

Options forfeited or cancelled

During, or since the end of the financial year, no options were forfeited or cancelled.

15. OPTIONS (Cont'd)

Options Expired or Lapsed

On 22 August 2018, 175,000 unquoted options exercisable at $0.15 expired and on 21 August 2018, 18,913,847 quoted options exercisable at $0.11 expired.

Options on Issue

At the date of this report the Company had the following unquoted options on issue:

Expiry Date	Exercise Price	Number Under Option
30/11/2018	$0.200	5,000,000
22/8/2019	$0.180	1,450,000
22/8/2019	$0.144	2,500,000
31/12/2019	$0.060	7,300,000
22/8/2020	$0.216	2,500,000

Option holders do not have any rights to participate in any issue of shares or other interests in the Company or any other entity.

16. PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

17. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 19.

18. NON AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services performed during the year by the Group's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2018.

This report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Nathan McMahon
Managing Director **26 September 2018**

Competent Persons Statement

This information that relates to exploration targets, exploration results, resource reporting and drilling data of Cazaly operated projects is based on information compiled by Mr Clive Jones and Mr Don Horn who are Members of The Australasian Institute of Mining and Metallurgy and/or The Australian Institute of Geoscientists and are employees of the Company. Mr Jones and Mr Horn have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones and Mr Horn consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

Bentleys
THINKING AHEAD

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To The Board of Directors

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

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

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

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 26th day of September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For Year Ended 30 June 2018

	Note	2018 $	2017 $
Revenue from continuing operations	2	77,720	143,159
Other Income	2	41,145	258,911
Employee benefits		(312,892)	(432,855)
Finance Costs		(111,382)	-
Depreciation		(6,171)	(8,526)
Administrative expenses	3	(271,662)	(285,859)
Compliance and regulatory expenses	3	(181,929)	(201,550)
Occupancy expenses		(65,948)	(62,583)
Written-off exploration expenditure		(641,517)	(718,451)
Gain/(Loss) on sale of financial assets		5,471	-
Revaluation /(Impairment) of financial assets		(5,399)	(119,823)
Loss before income tax		**(1,472,564)**	**(1,427,577)**
Income tax (expense)/ benefit	6	-	-
Loss for the year		**(1,472,564)**	**(1,427,577)**
Other comprehensive income			-
Total comprehensive income for the year		**(1,472,564)**	**(1,427,577)**
Loss for the year attributable to:			
Members of the parent entity		(1,472,389)	(1,427,312)
Non-controlling interest		(175)	(265)
		(1,472,564)	**(1,427,577)**
Total comprehensive income attributable to:			
Members of the parent entity		(1,472,389)	(1,427,312)
Non-controlling interest		(175)	(265)
		(1,472,564)	**(1,427,577)**
Earnings/(loss) per share from continuing and discontinued operations			
		Cents	**Cents**
Basic earnings/ (loss) per share	20	(0.75)	(0.83)
Diluted earnings per share	20	(0.75)	(0.83)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	7	1,474,219	723,262
Trade and other receivables	8	221,711	219,622
Prepayments		102,160	-
		1,798,090	942,884
Non current assets held for sale	9	727,328	-
TOTAL CURRENT ASSETS		2,525,418	942,884
NON CURRENT ASSETS			
Trade and other receivables	8	26,306	25,744
Financial assets	10	245,456	143,745
Property, plant and equipment	11	18,337	22,545
Exploration and evaluation assets	12	19,685,931	19,679,982
TOTAL NON CURRENT ASSETS		19,976,030	19,872,016
TOTAL ASSETS		**22,501,448**	**20,814,900**
CURRENT LIABILITIES			
Trade and other payables	13	329,248	204,692
Provisions	14	103,606	77,214
Convertible Notes	15	670,288	-
TOTAL CURRENT LIABILITIES		1,103,142	281,906
TOTAL LIABILITIES		**1,103,142**	**281,906**
NET ASSETS		**21,398,306**	**20,532,994**
EQUITY			
Issued capital	16	29,963,658	27,712,676
Reserves	17	305,198	218,304
Accumulated losses	18	(8,855,399)	(7,383,010)
Controlling entity interest		21,413,457	20,547,970
Non-controlling interest		(15,151)	(14,976)
TOTAL EQUITY		**21,398,306**	**20,532,994**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2018

	Issued Capital	(Accumulated Losses) And Retained Earnings	Option Reserve	Non-Controlling Interest	Total
	$	$	$	$	$
Balance at 1 July 2016	**26,487,504**	**(6,071,442)**	**115,744**	**(14,711)**	**20,517,095**
Loss for the year	-	(1,427,312)	-	(265)	(1,427,577)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**(1,427,312)**	**-**	**(265)**	**(1,427,577)**
Transactions with owners, in their capacity as owners, and other transfers:					
Shares issued during the year	1,253,750	-	-	-	1,253,750
Equity based payments	-	-	218,304	-	218,304
Option reserve	-	115,744	(115,744)	-	-
Transaction costs	(28,578)	-	-	-	(28,578)
Tax effect of equity raising cost	-	-	-	-	-
Balance at 30 June 2017	**27,712,676**	**(7,383,010)**	**218,304**	**(14,976)**	**20,532,994**
Loss for the year					
Other comprehensive income for the year	-	(1,472,389)	-	(175)	(1,472,564)
Total comprehensive income/(loss) for the year	**-**	**(1,472,389)**	**-**	**(175)**	**(1,472,564)**
Transactions with owners, in their capacity as owners, and other transfers:					
Shares issued during the year	2,335,802	-	-	-	2,335,802
Equity based payments	-	-	-	-	-
Option reserve	-	-	86,894	-	86,894
Transaction costs	(84,820)	-	-	-	(84,820)
Tax effect of equity raising cost	-	-	-	-	-
Balance at 30 June 2018	**29,963,658**	**(8,855,399)**	**305,198**	**(15,151)**	**21,398,306**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(615,933)	(781,341)
Interest received		3,842	5,400
Proceeds from other income		10,065	265,790
Payments for exploration and evaluation		(1,167,380)	(1,093,101)
Net cash used in operating activities	21	(1,769,406)	(1,603,252)
Cash Flows From Investing Activities			
Purchase of Property, Plant & Equipment		(1,963)	-
Purchase of Equity Investments		(8,000)	-
Proceeds from sale of exploration assets		20,000	52,500
Proceeds from sale of investments		6,360	-
Net cash provided by investing activities		16,397	52,500
Cash Flows from Financing Activities			
Proceeds from issue of securities		1,858,786	717,000
Payment for costs of issue of securities		(84,820)	(28,578)
Proceeds from convertible notes		730,000	-
Net cash provided by financing activities		2,503,966	688,422
Net increase/(decrease) in cash held		750,957	(862,330)
Cash and cash equivalents at beginning of the financial year		**723,262**	**1,585,592**
Cash and cash equivalents at end of the financial year	7	**1,474,219**	**723,262**

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Cazaly Resources Limited ('the Company' or 'Cazaly') and Controlled Entities ('the Group'). Cazaly Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 26 September 2018 by the Directors of the Company.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out in accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

These financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

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

The Group incurred a loss after tax for the year of $1,472,564 (2017: $1,427,577) and net cash outflows from operating activities of $1,769,406 (2017: $1,603,252). There was a working capital surplus of $1,422,276 at 30 June 2018 compared to a surplus of $660,979 at 30 June 2017.

As at 30 June 2018, the Group had lease and exploration commitments of $662,003 (2017: $542,725) due within twelve months.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate because:

- the Directors have an appropriate plan to raise additional funds as and when it is required. In light of the Group's current exploration projects, the Directors believe that the additional capital required can be raised in the market; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable; and
- the Directors will divest its interest in financial assets held for trading as and when required to fund ongoing expenditure.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Should the Group not achieve the matters set out above, there is material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as going concern.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities, as at 30 June 2018 is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Company.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income. The non-controlling interest in the net assets comprises their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(c) Depreciation

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

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

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment	40.0%
Office furniture and equipment	18.0%
Motor vehicle	22.5%

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration, Evaluation and Development Expenditure

Costs incurred during exploration and evaluations relating to an area of interest are accumulated. Costs are carried forward to the extent they are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not yet reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. In these instances the entity must have rights of tenure to the area of interest and must be continuing to undertake exploration operations in the area.

Accumulated costs carried forward in respect of an area of interest that is abandoned are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

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

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Financial Instruments

Initial Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified as "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

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

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

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

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

(iii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(iv) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with gains or losses being recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The Group has no such financial guarantees.

De-recognition

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

(g) Cash and Cash Equivalents

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(i) Revenue and Other Income

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(j) Impairment of Assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(l) Taxation

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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

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

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

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

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

Tax Consolidation

Cazaly and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

(m) Trade and Other Payables

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Share Based Payments

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the good or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is shown in the option reserve.

The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(p) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Earnings Per Share

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

Diluted earnings per share is calculated as net earnings attributable to members, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would 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.

(r) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Interest in Joint Operations

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

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

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

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

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

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

(t) Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Key Judgements –Exploration and evaluation expenditure
Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(d).

Key Judgements - Share based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Key Estimate – Taxation
Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

(u) Fair value measurements

The Group measures and recognises the asset, 'Financial assets held for trading' at fair value on a recurring basis after initial recognition.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

(i) Fair Value Hierarchy

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(ii) Valuation techniques

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the Company is the *Market approach whereby* valuation techniques use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

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

The following table provides the fair values of the Company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		30 June 2018			
	Note	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Financial assets at fair value through profit or loss:					
- held-for-trading Australian listed shares		204,216	-	-	204,216
- unlisted Australian shares (i)		-	-	41,240	41,240
		204,216	-	41,240	245,456

		30 June 2017			
	Note	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Financial assets at fair value through profit or loss:					
- held-for-trading Australian listed shares		102,505	-	-	102,505
- unlisted Australian shares (i)		-	-	41,240	41,240
		102,505	-	41,240	143,745

(i) Directors have valued the shares on the last active trading price prior to delisting from the ASX.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Convertible Notes

Convertible notes issued by the Group include embedded derivatives (option to convert to variable number of shares in the Group). These convertible notes are recognized as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible note will equate to the proceeds received less costs to issue and subsequently the liability is measured at fair value at each reporting period until settlement. The fair value movements are recognized on the profit and loss as finance costs.

(w) Non current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 139 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(x) New accounting standards for application in future periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

<u>AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).</u>

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments requirements for financial instruments and hedge accounting.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The Group is in the process of completing its impact assessment of AASB 9. Based on a preliminary assessment performed, the effects of AASB 9 are not expected to have a material effect on the Group.

<u>AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).</u>

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

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

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:
- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

The Group is in the process of completing its impact assessment of AASB 15. Based a preliminary assessment performed over each line of business and product type, the effects of AASB 15 are not expected to have a material effect on the Group.

<u>AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 July 2019).</u>

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The main changes introduced by the new Standard are as follows:
- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Group is in the process of completing its impact assessment of AASB 16. Based on a preliminary assessment performed, the effect of AASB 16 is not expected to have a material effect on the Group. It is impracticable at this stage to provide a reasonable estimate of such impact.

	2018 $	2017 $
2. *REVENUE & OTHER INCOME*		
Revenue		
- interest received	4,404	5,874
- recoupment of office costs on-charged	26,681	39,877
- other revenue	46,635	97,408
	77,720	143,159
Other Income		
- profit on sale of tenement	31,080	52,500
- proceeds on sale of royalty	10,065	206,411
	41,145	258,911

3. *PROFIT (LOSS) FOR THE YEAR*

Profit (loss) before income tax from continuing operations includes the following specific expenses:

Expenses

	2018 $	2017 $
Administrative expenses		
Consulting	76,106	68,450
Advertising, printing and stationery	17,843	7,292
Travel and accommodation	16,100	15,611
Insurance	19,463	21,739
Memberships	10,205	10,763
Other	131,945	162,004
	271,662	285,859
Compliance and regulatory expenses		
ASX, ASIC, registry and secretarial	157,856	181,055
Legal	24,073	20,495
	181,929	201,550
Employee Benefits		
Superannuation	24,843	24,843

4. *KEY MANAGEMENT PERSONNEL*

Interests of Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2018.

The totals of remuneration paid to key management personnel of the Company during the year are as follows:

4. KEY MANAGEMENT PERSONNEL (Cont'd)

	2018 $	2017 $
Short-term employee benefits	390,000	395,000
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based payments	-	50,980
	390,000	445,980

No compensation was paid in respect to KMP in termination benefits

5. AUDITORS REMUNERATION

Remuneration of the auditor for:

- Auditing or reviewing the financial report	22,500	22,500
	22,500	22,500

6. INCOME TAX EXPENSE

The components of the tax expense/(income) comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

(a) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit from continuing operations	(1,472,564)	(1,427,577)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2017: 30%)	(404,955)	(428,273)
Add:		
Tax effect of:		
Current year capital losses not recognised	109,949	-
Effect of tax losses derecognised	344,883	363,353
Derecognition of previously recognised tax losses	-	-
Other non-allowable items	65,945	49,044
Less:		
Tax effect of:		
Tax benefit of deductible equity raising costs	(6,452)	(11,382)
Movement in unrecognised temporary differences	(109,370)	27,257
Income (tax benefit)/loss attributable to entity	-	-

6. *INCOME TAX EXPENSE (Cont'd)*

(b) Deferred tax assets at 27.5% (2017: 30%) comprise the following	2018 $	2017 $
Carry forward revenue losses	5,280,354	5,656,745
Capital raising and future black hole deductions	-	2,146
Provisions and accruals	48,028	31,964
Other	67,375	73,500
	5,395,757	5,764,354
Less: Set off of deferred tax liabilities	(5,395,757)	(5,764,354)
	-	-
Deferred tax liabilities at 27.5% (2017: 30%) comprise the following		
Exploration expenditure	5,395,757	5,764,354
Other	-	-
	5,395,757	5,764,354
Less: Set off of deferred tax asset	(5,395,757)	(5,764,354)
	-	-

(c) Deferred tax recognised directly in equity:

Relating to equity raising costs	-	-
	-	-

(d) Unrecognised deferred tax assets at 27.5% (2017: 30%) comprise the following:
Deferred tax assets have not been recognized in respect to the following as they are not considered to have met the recognition criteria:

Investments	205,575	350,615
Tax revenue losses	1,720,470	1,466,630
Capital losses	325,916	235,601
	2,251,961	2,052,846

7. *CASH AND CASH EQUIVALENTS*

Cash at bank	1,474,019	723,062
Petty cash	200	200
	1,474,219	723,262

8. *TRADE AND OTHER RECEIVABLES*

Current		
Other receivables (i)	221,711	219,622
	221,711	219,622

(i) Other receivables normally have 30 to 60 day terms. Other receivables disclosed above include amounts of $179,306 (2017: $179,311) that are past due at the end of the reporting period for which the Company has not recognised any impairment because the amounts are still considered recoverable. $59,816 (2017: $132,432) is receivable from companies related to one of the Directors.

8. TRADE AND OTHER RECEIVABLES (Cont'd)

	2018 $	2017 $
Non-Current		
Bonds (ii)	26,306	25,744
	26,306	25,744

(ii) Bonds are term deposits, held by way of bank guarantee.

9. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale	727,328	-
	727,328	-

The Company entered into a Share Sale Agreement with Sulphide X Limited ('Sulphide'), a private company that plans to list on the ASX. An option fee has been paid and Sulphide has a 3 month exclusivity period to conduct its due diligence on the Mount Venn project. The exclusivity period can be extended by 2 months at the request of Sulphide.

If Sulphide proceeds with the acquisition, the Company receives proceeds of $1m plus 3,000,000 consideration shares or a minimum 5% equity in the Sulphide vehicle once listed. The Company will also receive a once off payment of $500,000 upon the delineation of a 500,000 ounce JORC gold resource and a further $500,000 payment upon the delineation of a 1,000,000 ounce JORC resource. The Company will also retain a 1.5% Net Smelter Royalty which Sulphide may purchase for $1,000,000 at any stage.

10. FINANCIAL ASSETS

Current		
Financial assets, at fair value through profit or loss:		
Held-for-trading Australian listed shares	204,216	102,505
Unlisted Australian public company shares	41,240	41,240
	245,456	143,745

11. PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment		
At cost	311,615	309,652
Accumulated depreciation	(305,189)	(302,652)
	6,426	7,000
Office Furniture and Equipment		
At cost	40,384	40,384
Accumulated depreciation	(37,938)	(36,839)
	2,446	3,545
Motor Vehicle		
At cost	65,878	65,878
Accumulated depreciation	(56,413)	(53,878)
	9,465	12,000
	18,337	22,545

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	2018			
	Plant and Equipment	Office Furniture	Motor Vehicles	Total
	$	$	$	$
Balance at the beginning of the year	7,000	3,545	12,000	22,545
Additions	1,963	-	-	1,963
Disposals	-	-	-	-
Depreciation expense	(2,537)	(1,099)	(2,535)	(6,171)
Carrying amount at the end of the year	6,426	2,446	9,465	18,337

	2017			
	Plant and Equipment	Office Furniture	Motor Vehicles	Total
	$	$	$	$
Balance at the beginning of the year	10,953	4,904	15,214	31,071
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(3,953)	(1,359)	(3,214)	(8,526)
Carrying amount at the end of the year	7,000	3,545	12,000	22,545

12. EXPLORATION AND EVALUATION ASSETS

	2018 $	2017 $
Non-Current		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases at cost	20,413,259	19,679,982
Movement – exploration and evaluation		
Brought forward	19,679,982	18,952,083
Exploration expenditure capitalised during the year	1,123,714	1,040,600
Acquisitions	380,000	405,750
Exploration expenditure capitalised on tenements sold during the year	(128,920)	-
Exploration expenditure written off	(641,517)	(718,451)
Transfer to Non current assets classified as held for sale	(727,328)	-
	19,685,931	19,679,982

Exploration expenditure for the year was $1,503,714 (2017: $1,466,350). The majority of this expenditure was on Mt Venn and the Kaoko Kobalt Project in Namibia. Exploration expenditure written off for the year was $641,517 compared to $718,451 in the 2017 financial year. The main write offs this year related to the Halls Creek, the Tsumkwe project in Namibia, the Goldfields Alliance, non-essential Parker Range and Coolgardie areas as well as previously capitalised expenditures relating to the various tenements and/or applications that were relinquished during the financial year.

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

	2018 $	2017 $
13. TRADE AND OTHER PAYABLES		
Current		
Trade creditors	251,248	146,167
Other creditors and accrued expenses	78,000	58,524
	329,248	204,691

Creditors are non-interest bearing and settled on 30 to 45 day terms.

14. PROVISIONS

	2018 $	2017 $
Current		
Provision for annual leave	86,268	64,464
Provision for long service leave	17,338	12,750
	103,606	77,214

15. CONVERTIBLE NOTES

	2018 $
Face value	730,000
Issue costs	
- 7,300,000 options issued	(86,894)
- Consultancy costs settled in shares	(44,400)
Costs unwound during the period	71,582
Balance	670,288

On 14 December 2017, the Company announced the completion of a capital raising through the issue of unsecured convertible notes via a Perth based portfolio management and corporate advisory firm, Oracle Capital Group Pty Ltd (Oracle) to raise up to $750,000, through the issue of up to 750,000 convertible notes, each with a face value of one dollar ($1.00). Oracle would also be entitled to up to 10 options for each convertible note issued, exercisable at $0.06 on or before 31 December 2019. A total of 730,000 convertible notes were issued and 7,300,000 unquoted options were issued on 8 January 2018.

The 7,300,000 unquoted options were valued at $86,864 based on the following assumptions:

Number of Options	Fair Value at Grant Date per Option	Estimated Volatility	Life of Option (years)	Exercise Price	Share Price at Grant Date	Risk Free Interest Rate
7,300,000	$0.0119	67.5%	2	$0.06	$0.043	1.86%

Other key terms include:

(a) Maturity Date - 12 months from the date of issue
(b) Interest - 10% per annum. Only paid on redemption.
(c) Conversion Price - the lower of $0.047 or a 15% discount to the VWAP for the 5 trading days prior to the Conversion Notice.
(d) Conversion prior to Repayment Date - the Company may convert all or any of the Notes into Ordinary Shares at any time and at any frequency as at a date prior to the Repayment Date by giving a Conversion Notice to the Noteholder.
(e) Conversion on Repayment Date - All outstanding Notes (excluding any Notes in respect of which a Redemption Notice has been issued or a Conversion Notice has been issued) will automatically convert into Ordinary Shares on the Repayment Date and the Company will be deemed to have issued a Conversion Notice converting all outstanding Notes held by the Noteholder at the Repayment Date.
(f) Security - the Convertible Notes are unsecured.
(g) Transferability and other restrictions - the Convertible Notes will only be transferrable with the Company's written consent.

	2018 $	2017 $
16. *ISSUED CAPITAL*		
230,366,599 fully paid ordinary shares (2017: 186,191,608) with no par value	29,963,658	27,712,676

Movements in Ordinary Shares

		30 June 2018 Number	30 June 2018 $	30 June 2017 Number	30 June 2017 $
Balance at the beginning of the year		186,191,608	27,712,676	160,116,480	26,487,504
Convertible note conversion	(i)	-	-	6,666,666	200,000
Issue of shares at $0.071 each	(ii)	-	-	2,500,000	177,500
Issue of shares at $0.065 each	(iii)	-	-	1,538,462	100,000
Issue of shares at $0.11 each	(iv)	-	-	175,000	19,250
Conversion of options at $0.04 each	(v)	-	-	275,000	11,000
Issue of shares at $0.05 each	(vi)	-	-	14,120,000	706,000
Issue of shares at $0.05 each	(vii)	-	-	800,000	40,000
Issue of shares at $0.0403 each	(viii)	535,980	21,600	-	-
Issue of shares at $0.0391 each	(viii)	1,304,757	51,016	-	-
Issue of shares at $0.04098 each	(ix)	1,083,455	44,400	-	-
Issue of shares at $0.05621 each	(x)	3,166,035	177,297	-	-
Issue of shares at $0.04 each	(xi)	3,649,167	145,967	-	-
Issue of shares at $.06 each	(xii)	6,000,000	360,000	-	-
Issue of shares at $0.054 each	(xiii)	28,435,597	1,535,522	-	-
Less: transaction costs		-	(84,820)	-	(28,578)
Balance at the end of the year		230,366,599	29,963,658	186,191,608	27,712,676

(i) Shares issued on conversion of two convertible notes provided by Directors. Approved by shareholders at a general meeting on 12 August 2016.
(ii) Shares issued to the vendors of Yamarna West Pty Ltd. Approved by shareholders at the annual general meeting on 24 November 2016.
(iii) Shares issued to the vendors of the Widgiemooltha project. Approved by shareholders at the annual general meeting on 24 November 2016.
(iv) Shares issued to a consultant on 23 August 2016 in lieu of services provided.
(v) Shares issued on the conversion of $0.04 options (expiry date 5 January 2018).
(vi) Placement shares issued on 15 May 2017.
(vii) Shares issued to consultant on 15 May 2017 in lieu of services provided.
(viii) Shares issued to a contractor, on 20 July 2017 and 3 November 2017 respectively, in lieu of services provided.
(ix) Shares issued to consultants on 8 January 2018 in lieu of services provided.
(x) Placement shares issued to Acuity Capital on 8 January 2018 under Controlled Placement Deed.
(xi) Shares issued on the conversion of unquoted options on 8 January 2018.
(xii) Shares issued to the vendors and JV partner on 19 April 2018 as initial consideration for the interest in the Kaoko Kobalt project.
(xiii) Placement shares issued on 2 May 2018.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

16. ISSUED CAPITAL (Cont'd)

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

Movements in Options over Ordinary Shares

Exercise Period	Exercise Price	Number on issue at 30 June 2017	Issued during the year	Exercised/ Expired/ Cancelled	Number on issue at 30 June 2018
Quoted					
On or before 21 August 2018	$0.11	18,913,847	-	-	18,913,847
Unquoted					
On or before 5 January 2018 (i)	$0.040	5,974,168	-	(5,974,168)	-
On or before 22 August 2018	$0.150	175,000	-	-	175,000
On or before 30 November 2018	$0.200	5,000,000	-	-	5,000,000
On or before 22 August 2019	$0.180	1,450,000	-	-	1,450,000
On or before 22 August 2019	$0.144	2,500,000	-	-	2,500,000
On or before 22 August 2020	$0.216	2,500,000	-	-	2,500,000
On or before 31 December 2019 (ii)	$0.060	-	7,300,000	-	7,300,000
Total unquoted options		17,599,168	7,300,000	(5,974,168)	18,925,000

(i) 3,649,167 options were converted on or before their expiry date with 2,325,001 options expiring on 5 January 2018.
(ii) Issued on 8 January 2018 as part of the issue of convertible note announced on 14 December 2017. Approved by shareholders at a general meeting held on 13 March 2018.

Unquoted options are issued to directors, employees and consultants. The unquoted options may be subject to performance criteria, and are issued to directors, employees and consultants to increase goal congruence between executives, directors and shareholders. Unquoted options carry no dividend or voting rights.

Capital risk management

The Board controls the capital of the Group in order to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's capital includes ordinary share capital. There are no externally imposed capital requirements.

The working capital position of the Group at 30 June 2018 and 30 June 2017 are as follows:

	2018 $	2017 $
Cash and cash equivalents	1,474,219	723,262
Trade and other receivables	221,711	219,622
Financial assets	245,456	143,745
Current liabilities	(1,103,142)	(281,906)
Working capital position	838,244	804,725

	2018 $	2017 $
17. OPTION RESERVE		
Opening balance	218,304	115,744
Equity based payments	86,894	218,304
Transfers to accumulated losses	-	(115,744)
Closing balance	305,198	218,304

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and for the value of equity benefits provided to vendors in respect of asset purchases.

18. ACCUMULATED LOSSES

Opening balance	(7,383,010)	(6,071,442)
Net loss attributable to members	(1,472,389)	(1,427,312)
Transfers from option reserve	-	115,744
Closing balance	(8,855,399)	(7,383,010)

19. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, held-for-trading investments, cash and short-term deposits.

The Board of Directors has overall responsibility for the oversight and management of the Group's exposure to a variety of financial risks (including fair value interest rate risk, credit risk, liquidity risk and cash flow interest rate risk).

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Interest rate risks
The Group's exposure to market interest rates relates to cash deposits held at variable rates. The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions.

Credit risk
The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Consolidated group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least A+. All of the Group's surplus funds are invested with AA and A+ Rated financial institutions, the amount is $1,474,219 (2017: $723,262).

Liquidity risk
The responsibility for liquidity risk management rests with the Board of Directors. The Consolidated group manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments.

19. FINANCIAL RISK MANAGEMENT (Cont'd)

Market risk

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

Maturity profile of financial instruments

The following tables detail the Group's exposure to interest rate risk as at 30 June 2018 and 30 June 2017:

30 June 2018	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Non-interest bearing	2018 Total
	$	$	$	$
Financial assets				
Cash and cash equivalents	1,474,019	-	200	1,474,219
Trade and other receivables	-	26,306	221,711	248,017
Financial assets – held for trading	-	-	245,456	245,456
	1,474,019	26,306	467,367	1,967,692
Weighted average effective interest rate	0.69%			
Financial Liabilities				
Trade and other payables	-	-	329,249	329,249
	-	-	329,249	329,249

30 June 2017	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Non-interest bearing	2017 Total
	$	$	$	$
Financial assets				
Cash and cash equivalents	723,062	-	200	723,262
Trade and other receivables	-	25,744	219,622	245,366
Financial assets – held for trading	-	-	143,745	143,745
	723,062	25,744	363,567	1,112,373
Weighted average effective interest rate	0.90%			
Financial Liabilities				
Trade and other payables			204,691	204,691
	-	-	204,691	204,691

19. FINANCIAL RISK MANAGEMENT (Cont'd)

Net Fair Values

The carrying value and net fair values of financial assets and liabilities at balance date are:

	2018		2017	
	Carrying Amount $	Net fair Value $	Carrying Amount $	Net fair Value $
Financial assets				
Cash and deposits	1,474,219	1,474,219	723,262	723,262
Receivables	248,017	248,017	245,366	245,366
Investment held for trading	245,456	245,456	143,745	143,745
	1,967,692	1,967,692	1,112,373	1,112,373
Financial liabilities				
Payables	329,249	329,249	204,691	204,691
	329,249	329,249	204,691	204,691

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. All financial instruments measured at fair value are level one, meaning fair value is determined from quoted prices in active markets for identical assets.

Sensitivity Analysis
Interest Rate Risk

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2018 $	2017 $
Change in loss		
• Increase in interest rate by 100 basis points	14,740	7,231
• Decrease in interest rate by 100 basis points	(14,740)	(7,231)
Change in equity		
• Increase in interest rate by 100 basis points	14,740	7,231
• Decrease in interest rate by 100 basis points	(14,740)	(7,231)

20. EARNINGS PER SHARE

a) Reconciliation of earnings to profit or loss:

Loss for the year	(1,472,564)	(1,427,312)
Loss used to calculate basic and diluted EPS	(1,472,564)	(1,427,312)

20. EARNINGS PER SHARE (Cont'd)

		2018 No. of Shares	2017 No. of Shares
b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	197,076,315	171,443,575
	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	197,076,315	171,443,575

21. CASH FLOW INFORMATION

	2018 $	2017 $
Reconciliation of cash flows from operating activities with profit/(loss) after income tax		
Profit/(Loss) after income tax	(1,472,564)	(1,427,577)
Non-operating cash flows in loss for the year:		
Depreciation	6,171	8,526
Net (Gain)/ Loss on sale of shares	(5,471)	-
Shares acquired on sale of tenement	(100,000)	-
Finance costs on convertible note	71,582	-
Net Profit on sale of exploration assets	(20,000)	(52,500)
Employee & Consultant equity settled transactions	-	106,536
Fair value adjustment to investments	5,399	119,823
Exploration write-off	641,517	718,451
Changes in assets and liabilities:		
Decrease/(increase) in trade receivables and prepayments	(104,811)	(14,841)
Increase/(decrease) in trade payables, accruals and employee entitlements	150,949	(4,579)
Decrease/(increase) in exploration	(942,178)	(1,057,091)
Cash outflow from operations	(1,769,406)	(1,603,252)

22. COMMITMENTS

In order to maintain rights of tenure to mining tenements, the Group would have the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	$	$
No longer than one year	662,003	542,725
Longer than one year, but not longer than five years	1,446,684	975,446
Longer than five years	715,568	815,526
	2,824,255	2,333,697

22. COMMITMENTS (Cont'd)

The Group currently has commitments in excess of cash, however the Board believes it will be able to raise the additional funds to satisfy the commitments for the future.

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

23. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2018	2017
Parent Entity			
Cazaly Resources Limited	Australia		
Controlled Entities			
Cazaly Iron Pty Ltd	Australia	100%	100%
Sammy Resources Pty Ltd	Australia	100%	100%
Cazroy Pty Ltd	Australia	100%	100%
Baker Fe Pty Ltd	Australia	100%	100%
Baldock Fe Pty Ltd	Australia	100%	100%
Lockett Fe Pty Ltd	Australia	100%	100%
Hase Fe Pty Ltd	Australia	100%	100%
Caz Yilgarn Pty Ltd	Australia	100%	100%
Discovery Minerals Pty Ltd	Australia	80%	80%
Yamarna West Pty Ltd	Australia	100%	100%
Kunene North Pty Ltd	Australia	100%	0%

24. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its exploration and corporate activities. Operating segments are therefore determined on the same basis.

Exploration

Segment assets, including acquisition cost of exploration licenses, all expenses related to the tenements and profit on sale of tenements are reported on in this segment.

Segment assets

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

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

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

24. OPERATING SEGMENTS (Cont'd)

Unallocated items

Non-recurring items of revenue or expenses are not allocated to operating segments as they are not considered part of the core operations of any segment.

2018	Exploration $	Unallocated $	Total $
Revenue			
Interest received		4,404	4,404
Other	51,080	63,381	114,461
Total segment revenue	**51,080**	**67,785**	**118,865**
Segment net operating profit (loss) before tax	**(590,436)**	**(882,128)**	**(1,472,564)**
Depreciation	-	6,171	6,171
Impairment of exploration assets	641,517	-	641,517
Share based payments	-	-	-
Segment assets	**20,413,259**	**2,087,189**	**22,5001,448**
Exploration expenditure	19,685,931	-	19,685,931
Non current assets held for sale	727,328	-	727,328
Property, plant & equipment	-	18,337	18,337
Segment liabilities	**26,272**	**1,076,870**	**1,103,142**

2017	Exploration $	Unallocated $	Total $
Revenue			
Interest received	-	5,874	5,874
Other	52,500	343,696	396,196
Total segment revenue	**52,500**	**349,570**	**402,070**
Segment net operating profit (loss) before tax	**(665,951)**	**(761,626)**	**(1,427,577)**
Depreciation	-	8,526	8,526
Impairment of exploration assets	718,451	-	718,451
Share based payments	-	106,536	106,536
Segment assets	**19,679,982**	**1,134,918**	**20,814,900**
Exploration expenditure	19,679,982	-	19,679,982
Non current assets held for sale	-	-	-
Property, plant and equipment	-	22,545	22,545
Segment liabilities	**30,191**	**251,714**	**281,905**

25. EVENTS SUBSEQUENT TO REPORTING DATE

Since 30 June 2018, no event has arisen that would likely to materially affect the operations of the Group, or the state of affairs of the Group no otherwise disclosed in the Group's financial report.

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As announced on 26 March 2018, the Company acquired an option to earn the rights to a 95% interest in the Kaoko Kobalt Project ('Kaoko Project') in Namibia. The following contingent liabilities remain at 30 June 2018:

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Cont'd)

Under the KDN JV:

Kunene North Pty Ltd can earn further equity in Philco and the Kaoko Project as follows:

i) Spending N$1 million (~A$90,000) by 15 March 2019 to earn a further 25% in Philco (76% total)
ii) Spending N$2 million (~A$180,000) by 18 November 2020 to earn a further 19% in Philco (95% total)
iii) KDN JV's partner's remaining 5% free carried to a definitive feasibility study and to be NEEEF compliant (governmental draft "New Equitable Economic Empowerment Framework")

Under the Kunene Purchase Agreement:

The Company acquired 100% of the issued capital of Kunene, and therefore its rights under the KDN JV, and has the following commitments outstanding:

iv) Issue 10.5 million CAZ fully paid shares upon the delineation of a JORC compliant mineral resource containing at least 10,000t of contained cobalt (or other metal equivalent)
v) Pay A$1 million (or issuing fully paid CAZ shares to that amount) upon a formal Decision to Mine

27. PARENT ENTITY DISCLOSURES

	2018 $	2017 $
(a) Statement of financial position		
Assets		
Current assets	1,794,040	938,980
Non-current assets	2,709,585	2,936,118
Total assets	4,503,625	3,875,098
Liabilities		
Current liabilities	1,103,118	281,881
Non-current liabilities	-	-
Total liabilities	1,103,118	281,881
Equity		
Issued capital	29,963,657	27,712,676
Reserves:		
Equity settled employee benefits	305,198	218,304
Retained profits	(26,868,348)	(24,337,763)
Total Equity	3,400,507	3,593,217
(b) Statement of Profit or Loss and Other Comprehensive Income		
Total profit/ (loss)	(2,530,595)	(1,639,045)
Total comprehensive income	(2,530,585)	(1,639,045)

27. PARENT ENTITY DISCLOSURES (Cont'd)

Loans to Controlled Entities

Loans are provided by Cazaly ('the Parent') to its controlled entities for their respective operating activities. Amounts receivable from controlled entities are non-interest bearing with no fixed term of repayment. The eventual recovery of the loan will be dependent upon the successful commercial application of these projects or the sale to third parties.

28. SHARE BASED PAYMENTS

The following table illustrates the number and weighted average exercise prices of and movements in all options on issue during the year:

	2018		2017	
	Number of Options	Weighted Ave Exercise Price $	Number of Options	Weighted Ave Exercise Price $
Balance at beginning of reporting period	36,513,015	0.123	6,515,834	0.116
Expired during the year	(5,974,168)	0.040	(3,600,000)	0.178
Exercised during the year	-	-	(275,000)	0.040
Issued during the year	7,300,000	0.060	33,872,181	0.130
Balance at end of reporting period	37,838,847	0.124	36,513,015	0.123
Exercisable at end of reporting period	37,838,847		36,513,015	

The options outstanding at 30 June 2018 had a weighted average remaining life of 0.68 years (2017 – 1.32 years). The weighted average fair value of the options outstanding at 30 June 2018 was $0.008 (2017 - $0.006).

Refer Note 15 for details of options issued during the year, which were in connection with the convertible notes issued.

In accordance with a resolution of the directors of Cazaly Resources Limited, the directors of the Company declare that:

1. the financial statements and notes, as set out, are in accordance with the Corporations Act 2001 and:
   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

On behalf of the Directors

Nathan McMahon
Managing Director

Perth,
26 September 2018

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of Cazaly Resources Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion:

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

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

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a net loss of $1,472,564 during the year ended 30 June 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Expenditure – $19,685,931 (Refer to Notes 1(d) and 12) Exploration and evaluation expenditure is a key audit matter due to: – The significance of the balance to the Consolidated Entity's financial position. – The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset. – The assessment of impairment of exploration and evaluation expenditure being inherently difficult.	Our procedures included, amongst others: – We assessed management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Group holds an interest and the exploration programmes planned for those tenements; – We assessed the Consolidated Entity's rights to tenure for a sample of tenements; – We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6; – We verified the acquisition of tenements to the acquisition agreement and verified the consideration paid; – We considered the activities in each area of interest to date and assessed the planned future activities;

Key audit matter	How our audit addressed the key audit matter
	– We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: – the licenses for the right to explore expiring in the near future or are not expected to be renewed; – substantive expenditure for further exploration in the specific area is neither budgeted or planned; – decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and – data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.
Convertible Notes – $670,288 As disclosed in Note 15 to the financial statements, the Consolidated Entity issued 730,000 convertible notes and 7,300,000 unquoted options. As at 30 June 2018 the balance of the convertible note liability was $670,288. Convertible Notes are considered to be a key audit matter due to: – the value of the balance; and – the complexities involved in the recognition and measurement of convertible financial instruments and associated transaction costs.	Our procedures amongst others included: – analysing the agreement to identify the key terms and conditions for each convertible note; – verification of the funds received from the issue of convertible notes during the year; – assessing the accounting treatment of the financial instruments in accordance with the recognition and measurement as well as the disclosure requirements of the relevant Australian Accounting Standards; – evaluating management's option valuations and assessing the assumptions and inputs used; and – assessing the calculation including relevant amortisation of finance costs for the year.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

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

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

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

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

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

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

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 26th day of September 2018

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 14 September 2018.

DETAILS OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHAREHOLDERS

There are 230,366,599 fully paid ordinary shares on issue, held by 2,455 individual shareholders. Each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or a representative or a proxy of a member shall have one vote and on a poll every member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

TWENTY LARGEST SHAREHOLDERS (AS AT 14 SEPTEMBER 2018)

	Fully Paid Ordinary	
Ordinary Shareholders	**Number**	**Percentage**
Kingsreef Pty Ltd (NB & DL Family A/C)	13,655,967	5.9%
Widerange Corporation Pty Ltd	7,333,647	3.2%
Clive Jones	6,646,256	2.9%
Acuity Capital Investment Management	5,000,000	2.2%
Kingsreef Pty Ltd	4,897,299	2.1%
New Page Investments Ltd	4,828,517	2.1%
Nathan McMahon	4,793,755	2.1%
Thomas Francis Corr	4,375,500	1.9%
J P Morgan Nominees Australia	3,989,295	1.7%
Maincoast Pty Ltd	3,533,849	1.5%
Mr R W Patek & Mrs M H Patek (RWP Super Fund)	3,400,000	1.5%
Anthony Ramage	3,200,000	1.4%
Buckland Capital Pty Ltd (D Millar S/F)	3,000,000	1.3%
Mr P D Sheppeard & Mrs S F Sheppeard (Sheppeard Family S/F)	2,821,000	1.2%
Citicorp Nominees Pty Ltd	2,805,836	1.2%
Mr C W Chalwell & Mrs J R Chalwell (Chalwell Pension Fund)	2,500,000	1.1%
GGDT Developments Pty Ltd	2,500,000	1.1%
HSBC Custody Nominees (Australia) Ltd	2,320,246	1.0%
Sequoi Nominees Pty Ltd	2,000,000	0.9%
KDN Geo Consulting CC	2,000,000	0.9%
	85,601,167	**37.2%**

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

HOLDERS OF NON-MARKETABLE PARCELS

There are 1,406 shareholders who hold less than a marketable parcel of shares.

STOCK EXCHANGE INFORMATION

DISTRIBUTION OF SHARE HOLDERS (AS AT 14 SEPTEMBER 2018)

	Ordinary Shares
1 to 1,000	139,975
1,001 to 5,000	1,800,107
5,001 to 10,000	3,013,548
10,001 to 100,000	31,967,637
100,001 and over	193,445,332
	230,366,599

SUBSTANTIAL SHAREHOLDERS

As at report date, the following shareholders are recorded as Substantial Shareholders:

Substantial Shareholder	Ordinary Shares held	% Held
Nathan McMahon & associated entities	28,772,022	12.49%
Clive Jones & associated entities	15,329,904	6.65%

SHARE BUY-BACKS

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

OTHER INFORMATION

Cazaly Resources Limited, incorporated and domiciled in Australia, is a public listed Company limited by Shares.

INTEREST IN MINING TENEMENTS AS AT 14 SEPTEMBER 2018

TID	PROJECT	ENTITY	% INT
Managed			
E77/1403	PARKER RANGE	CAZI	100
L77/0220	PARKER RANGE	CAZI	100
L77/0228	PARKER RANGE	CAZI	100
L77/0229	PARKER RANGE	CAZI	100
M77/0741	PARKER RANGE	CAZI	100
M77/0742	PARKER RANGE	CAZI	100
M77/0764	PARKER RANGE	CAZI	100
P77/4162	PARKER RANGE	SAMR	100
P77/4164	PARKER RANGE	SAMR	100
P15/6010	GLIA	SAMR	100
P15/6014	GLIA	SAMR	100
P15/6015	GLIA	SAMR	100
P15/6016	GLIA	SAMR	100
P15/6019	GLIA	SAMR	100
P15/6020	GLIA	SAMR	100
P15/6021	GLIA	SAMR	100
P15/6022	GLIA	SAMR	100
E38/3111	MOUNT VENN	YAMW	100
E38/3150	MOUNT VENN	YAMW	100
EPM26213	MOUNT TABOR (QLD)	SAMR	100
EL 8483	BUNGONIA (NSW)	CAZR	100
E09/2267 *	KURABUKA CREEK	SAMR	100
Czech Rep *	Horní Věžnice	Discovery	80
Czech Rep *	Brzkov II	Discovery	80
Namibia	EPL 6667	Kunene	51

TID	PROJECT	ENTITY	% INT
Not Managed			
E31/1019	CAROSUE	CAZR	10
E31/1020	CAROSUE	CAZR	10
M31/0427	CAROSUE	CAZR	10
E37/1037	TEUTONIC BORE	SAMR	100
M47/1450	HAMERSLEY	LOFE	49
M80/0247	MT ANGELO	CAZR	20
E39/1837	MT WELD	CAZR	100
P26/4297	KALGOORLIE EAST	CAZR	100
E80/4808	MCKENZIE SPRINGS	SAMR	100

* – application