



ABN 82 000 738 885

# **Global Strategic Metals Limited**

## **Annual Report 2017**

## CONTENTS

Corporate Directory	1
Directors' Report	2 – 4
Auditor's Independence Declaration	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 25
Directors' Declaration	26
Independent Auditor's Report	27 - 28

# CORPORATE DIRECTORY



## **DIRECTORS**

Tony Sage (Non-Executive Chairman)

Nic Sage (Non-Executive Director) (appointed 23 January 2017)

Michael Sutherland (Non-Executive Director)

## **COMPANY SECRETARY**

Melissa Chapman

## **PRINCIPAL AND REGISTERED ADDRESS**

32 Harrogate Street  
West Leederville, WA, 6007

Phone: +61 (8) 9380 9555

Fax: +61 (8) 9380 9666

## **SHARE REGISTRY**

Computershare  
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Perth, WA, 6000

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Fax: +61 (8) 9323 2033

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## **AUDITORS**

Stantons International

## **BANKERS**

Australia and New Zealand Banking Group Limited (ANZ)

## **SOLICITORS**

Bennett and Co

# DIRECTORS' REPORT



Your directors submit the financial report of Global Strategic Metals Limited for the year ended 30 June 2017.

## DIRECTORS

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

<b>TONY SAGE</b> Non-Executive Chairman	Tony Sage has in excess of 31 years experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining companies for the last 21 years.
<b>NIC SAGE</b> Non-Executive Director Appointed 23 January 2017	Nicholas Sage is an experienced marketing and communications professional with in excess of 25 years experience in various management and consulting roles. Mr Sage is based in Western Australia and currently consults to various private and ASX listed companies.
<b>MICHAEL SUTHERLAND</b> Non-Executive Director	Michael Sutherland has over 26 years of experience in all aspects of the exploration and mining industry, including underground mining, open-pit mining, project operations management and field operations management. Mr Sutherland has also held non-executive director positions on a number of ASX listed companies.

## COMPANY SECRETARY

Ms Melissa Chapman has a Bachelor of Accounting from Murdoch University, has been a member of CPA Australia since 2000 and has completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia and is a graduate of the Australian Institute of Company Directors. She has worked extensively in Australia and the United Kingdom and is currently also the CFO and Company Secretary of Cape Lambert Resources Limited and European Lithium Limited.

## PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year was mineral exploration.

## REVIEW OF OPERATIONS

The Company's Elizabeth Hill silver Project is located approximately 40km south of Karratha in Western Australia. Silver was historically mined from underground operations between 1998 and 2000 producing 1.17 Moz. More recent exploration was expanded to investigate the potential for base metal and nickel sulphide deposits associated with the highly prospective Archean Munni Munni Complex (MMC) that intrudes the Archean granitic and gneissic basement rocks of the Pilbara Craton. Exploration activities at Elizabeth Hill were put on hold during the year.

## OPERATING RESULTS

The total comprehensive loss of the Company after providing for income tax amounted to \$85,467 (2016: \$179,666 loss). The net assets of the Company at 30 June 2017 are (\$231,376) (2016: (\$145,909)).

# DIRECTORS' REPORT



## EVENTS SUBSEQUENT TO BALANCE DATE

No event has arisen since 30 June 2017 that would be likely to materially affect the operations of the Company, or its state of affairs which have not otherwise been disclosed in this financial report.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Company.

## LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

The Company intends to retain and develop its Elizabeth Hill project as well as explore for new projects. The Company is planning to undertake a capital raising to support these development plans.

## 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.

## ENVIRONMENTAL REGULATION

The Company will comply with its obligations in relation to environmental regulation on the Western Australian tenements.

## INDEMNIFICATION OF OFFICERS

In accordance with the Company's 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.

During the financial year, the Company has paid insurance premiums in respect of directors' and officers' liability insurance. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers has not been disclosed. This is permitted under S300(9) of the *Corporations Act 2001*.

# DIRECTORS' REPORT



## MEETINGS OF DIRECTORS

The number of Directors' meetings held during the financial year each Director held office during the financial year, and the number of meetings attended by each director are:

Director	Board of Directors	
	Meetings Attended	Number Eligible to Attend
T.Sage	-	-
M. Gwynne <sup>2</sup>	-	-
M. Sutherland	-	-
N.Sage <sup>1</sup>	-	-

<sup>1</sup> Mr Sage appointed 23 January 2017

<sup>2</sup> Mr Gwynne resigned 23 January 2017

## UNISSUED SHARES UNDER OPTION

At the date of this report, there were no unissued ordinary shares of Global Strategic Metals Limited under option.

## SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE

No shares options were exercised during the year.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2017 has been received and can be found on the following page. No non-audit services have been provided by the auditor of the Company during the year.

This report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Tony Sage'.

Tony Sage  
Chairman

Perth 26 September 2017

26 September 2017

Board of Directors  
Global Strategic Metals Limited  
32 Harrogate Street  
West Leederville WA 6007

Dear Directors

**RE: GLOBAL STRATEGIC METALS LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Global Strategic Metals Limited.

As Audit Director for the audit of the financial statements of Global Strategic Metals Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Martin Michalik**  
Director

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017



		2017 \$	2016 \$
<b>CONTINUING OPERATIONS</b>			
Revenue	2	-	3,491
Impairment of exploration assets	7	(42,873)	(132,641)
Compliance costs		(36,102)	(38,638)
Legal fees		(7,868)	(700)
Other expenses		1,376	(11,171)
<b>(LOSS) BEFORE INCOME TAX</b>		<b>(85,467)</b>	(179,659)
Income tax benefit		-	-
<b>(LOSS) FROM CONTINUING OPERATIONS FOR THE YEAR</b>		<b>(85,467)</b>	(179,659)
<b>DISCONTINUED OPERATIONS</b>			
(Loss) for the year from discontinued operations		-	-
<b>(LOSS) FOR THE YEAR</b>		<b>(85,467)</b>	(179,659)
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequent to profit or loss			
Change in fair value of financial assets		-	(7)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		-	(7)
<b>TOTAL (LOSS) AND OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(85,467)</b>	(179,666)
<b>(LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>			
Members of the parent entity		(85,467)	(179,666)
Non-controlling interest		-	-
		<b>(85,467)</b>	(179,666)
<b>OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Members of the parent entity		-	(7)
Non-controlling interest		-	-
		-	(7)
<b>TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR</b>		<b>(85,467)</b>	(179,666)
<b>Earnings per share</b>			
From continuing and discontinued operations			
Basic/diluted (loss) per share (cents)	15	<b>(0.022) cents</b>	(0.047) cents
From continuing operations			
Basic/diluted (loss) per share (cents)	15	<b>(0.022) cents</b>	(0.047) cents

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the attached notes.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017



		2017 \$	2016 \$
		<u>          </u>	<u>          </u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	2,970	5,477
Other assets	5	2,311	5,252
<b>TOTAL CURRENT ASSETS</b>		<u>5,281</u>	<u>10,729</u>
<b>NON-CURRENT ASSETS</b>			
Financial assets	6	3	3
Exploration and evaluation expenditure	7	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>3</u>	<u>3</u>
<b>TOTAL ASSETS</b>		<u>5,284</u>	<u>10,732</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	236,660	156,641
<b>TOTAL CURRENT LIABILITIES</b>		<u>236,660</u>	<u>156,641</u>
<b>TOTAL LIABILITIES</b>		<u>236,660</u>	<u>156,641</u>
<b>NET ASSETS</b>		<u>(231,376)</u>	<u>(145,909)</u>
<b>EQUITY</b>			
Issued capital	9	37,679,102	37,679,102
Reserves	10	840,440	840,440
Accumulated losses		<u>(38,750,918)</u>	<u>(38,665,451)</u>
<b>TOTAL EQUITY</b>		<u>(231,376)</u>	<u>(145,909)</u>

The Statement of Financial Position is to be read in conjunction with the attached notes.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017



	Issued Capital	Fair Value Reserve	Options Reserve	Share Base payment reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
<b>BALANCE AT 1 JULY 2015</b>	<b>37,679,102</b>	<b>1</b>	<b>654,445</b>	<b>186,001</b>	<b>(38,485,792)</b>	<b>33,757</b>
(Loss) for the year	-	-	-	-	(179,659)	(179,659)
Change in fair value of financial assets (net of deferred Tax)	-	(7)	-	-	-	(7)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	-	(7)	-	-	(179,659)	(179,666)
<b>BALANCE AT 30 JUNE 2016</b>	<b>37,679,102</b>	<b>(6)</b>	<b>654,445</b>	<b>186,001</b>	<b>(38,665,451)</b>	<b>(145,909)</b>
<b>BALANCE AT 1 JULY 2016</b>	<b>37,679,102</b>	<b>(6)</b>	<b>654,445</b>	<b>186,001</b>	<b>(38,665,451)</b>	<b>(145,909)</b>
(Loss) for the year	-	-	-	-	(85,467)	(85,467)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	-	-	-	-	(85,467)	(85,467)
<b>BALANCE AT 30 JUNE 2017</b>	<b>37,679,102</b>	<b>(6)</b>	<b>654,445</b>	<b>186,001</b>	<b>(38,750,918)</b>	<b>(231,376)</b>

The Statement of Changes in Equity is to be read in conjunction with the attached notes.

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2017



	2017	2016
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(6,590)	(21,520)
Interest received	-	1
Other – VAT/GST Refund	5,587	11,439
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>18 (1,003)</b>	<b>(10,080)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration expenditure	(1,504)	(16,620)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(1,504)</b>	<b>(16,620)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	-	17,195
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>17,195</b>
<b>NET (DECREASE) IN CASH HELD</b>	<b>(2,507)</b>	<b>(9,505)</b>
Cash at the beginning of the financial year	5,477	14,982
Effect of exchange rates on cash holdings in foreign currencies	-	-
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>4 2,970</b>	<b>5,477</b>

The Statement of Cash Flows is to be read in conjunction with the attached notes.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



These financial statements and notes represent those of Global Strategic Metals Limited (the **Company**). The Company is a limited company incorporated in Australia. The addresses of its registered office and principal place of business is 32 Harrogate Street, West Leederville WA 6007.

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### a) 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 (AASB) and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report 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. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the 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.

The financial statements were authorised for issue on 20 September 2017 by the directors of the Company.

#### b) GOING CONCERN

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

For the year ended 30 June 2017 the Company incurred a loss of \$85,467 (2016: Loss \$179,659).

Based on the Company's ability to modify expenditure outlays if required and the Directors confidence in raising additional funds if required, the Directors consider 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 therefore the going concern basis preparation is considered to be appropriate for the 2017 financial report.

In the event that the Company is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in its financial reports.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities, that might be necessary if the Company do not continue as going concerns.

#### c) ACCOUNTING POLICY

The financial statements incorporate all of the assets, liabilities and results of the Company. The Company does not have any subsidiaries entities it controls.

#### d) BUSINESS COMBINATIONS

The Company applies the acquisition method in accounting for business combinations unless it is a combination involving entities or businesses under common control.

The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. All

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



transaction costs incurred in relation to the business combination are expensed to the Statement of Profit or Loss and Other Comprehensive Income.

The Company recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred; (b) the recognised amount of any non-controlling interest in the acquiree; and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately.

### **e) INCOME TAXES**

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.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited 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. Their measurement 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, 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.

### **f) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in the the Statement of Profit or Loss and Other Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Motor Vehicles	20%

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.

### **g) EXPLORATION AND EVALUATION COSTS**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each project. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the project and have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned project 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 are 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 carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility 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 determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

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

### **h) LEASES**

A distinction is made between finance leases which transfer from the lessor to the lessee substantially all the risks and rewards incident to ownership of the leased asset and operating leases under which the lessor retains substantially all the risks and rewards.

Where an asset is acquired by means of a finance lease, the fair value of the leased property or the present value of minimum lease payments, if lower, is established as an asset at the beginning of the lease term. A corresponding liability is also established and each lease payment is apportioned between the finance charge and the reduction of the outstanding liability.

Operating lease rental expense is recognised as an expense on a straight line basis over the lease term, or on a systematic basis more representative of the time pattern of the user's benefit.

### **i) FINANCIAL INSTRUMENTS**

#### *Initial recognition and measurement*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



### *Classification and subsequent measurement*

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

*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 amount and the maturity amount calculated using the *effective interest method*.

*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.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) 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 item in profit or loss.

The Company 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.

#### *a) Loans and receivables*

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

#### *b) Financial liabilities*

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

#### *c) Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and 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 not expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

### *Impairment*

At the end of each reporting period, the Company 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 an 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.

### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



benefits associated with the asset. Financial liabilities are derecognised 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.

### **j) IMPAIRMENT OF ASSETS**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

### **k) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

### **l) REVENUE RECOGNITION**

Interest revenue is recognised using the effective interest method.

### **m) BORROWING COSTS**

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of such a qualifying asset.

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

### **o) FOREIGN CURRENCY TRANSACTIONS**

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

Transactions in foreign currencies have been converted at rates of exchange ruling on the date of those transactions. At reporting date, amounts receivable and payable in foreign currencies are translated to Australian currency at rates of exchange at that date. Realised and unrealised gains and losses are brought to account in determining the profit or loss for the financial year.

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of financial position. These differences are recognised in the Statement

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



of Profit or Loss and Other Comprehensive Income in the period the operation is disposed of.

### p) TRADE AND OTHER PAYABLES

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

### q) 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 Company will not be able to collect the debts and are written off when identified.

### r) COMPARATIVE FIGURES

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

### s) ADOPTION OF NEW AND REVISED STANDARDS

#### **New standards and interpretations adopted**

In the current year, the Company has adopted the following new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Company's financial statements.

#### **AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality**

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

#### **New accounting standards and interpretations not yet adopted**

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Company's disclosures.

### t) SIGNIFICANT JUDGEMENTS AND KEY ASSUMPTIONS

The directors evaluate estimates and judgements 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 Company.

#### **Key judgements**

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since exploration work is currently on hold. Such capitalised expenditure is carried at reporting date at Nil (2016: Nil).

#### **Share-based payment transactions**

The Company measures the cost of equity-settled transactions with consultants by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined using the Black-Scholes pricing model, taking into account the terms and condition upon which the instruments were granted.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



### 2. REVENUE AND OTHER INCOME

	2017	2016
	\$	\$
Interest received – unrelated parties	-	3,491
	-	3,491

### 3. INCOME TAX EXPENSE

a) No income tax is payable by the Company as they recorded losses for income tax purposes for the year.

Income tax expenses differs to the standard rate of corporation tax as follows:

	2017	2016
	\$	\$
Accounting (loss)	(85,467)	(179,659)
Tax at 27.5% (2016: 30%)	(23,503)	(53,897)
Tax effect of non-assessable gain	-	-
Tax effect of non-deductible expenses		
- share based payment expense	-	-
- loan option expense	-	-
- loss on forgiveness of loan	-	-
- other non-deductible expenses	-	-
Tax rate differential on foreign income	-	-
Deferred tax assets not recognised	(23,503)	(53,897)
Income tax expense	-	-

b) Deferred tax balances not brought to account:

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1(e) occur:

	2017	2016
	\$	\$
<b>Deferred tax assets</b>		
- Accrued expenses	825	1,500
- Other	-	-
- Tax losses	-	-
- Gross deferred tax assets	825	1,500
- Set off against deferred tax liabilities	(825)	(1,500)
- Net deferred tax assets	-	-
<b>Deferred tax liabilities</b>		
- Capitalised exploration and evaluation expenditure	-	-
- Other	-	-
- Gross deferred tax liabilities	-	-
- Set off against deferred tax assets	-	-
- Net deferred tax liabilities	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



	2017	2016
	\$	\$
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets were not recognised in relation to the following:		
- Unrealised capital losses	21,303	21,303
- Tax losses: operating losses	3,784,244	3,760,741
- Capital losses	617,627	617,627
- Other	2,970	2,970
	<u>4,426,144</u>	<u>4,402,641</u>

The recoupment of available tax losses as at 30 June 2017 are contingent upon, the company deriving assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised; the conditions for deductibility imposed by tax legislation continuing to be complied with; and there being no changes in tax legislation which would adversely affect the company from realising the benefits from the losses.

### Franking Account

	2017	2016
	\$	\$
- Franking account balance	<u>113,705</u>	<u>113,705</u>

The ability to utilise franking credits is dependent upon there being sufficient available profits to declare dividends.

## 4. CASH AND CASH EQUIVALENTS

	2017	2016
	\$	\$
Cash and cash equivalents	<u>2,970</u>	<u>5,477</u>

## 5. OTHER ASSETS

	2017	2016
	\$	\$
<b>CURRENT</b>		
Prepayments	2,311	5,252
Short term loan	71,011	71,011
Provision for doubtful debts <sup>i)</sup>	(71,011)	(71,011)
	<u>2,311</u>	<u>5,252</u>

### Provision for Impairment of Receivables

<sup>i)</sup> A provision for impairment is recognised when there is objective evidence that an individual receivable is impaired. During the year ended 30 June 2015, 4,400,402 share options have been exercised for total consideration of \$121,011. An loan amount of \$71,011 remains unpaid at the date of this report associated with these shares. The Company has raised a provision for this receivable amount given the uncertainty around the date it will be received.

### Credit Risk – Trade and other receivables

The Company has no significant concentration of credit risk with respect to any single counterparty or Company of counterparties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



### 6. OTHER FINANCIAL ASSETS

	2017	2016
	\$	\$
<b>NON-CURRENT</b>		
Available for sale investments in related parties carried at fair value:		
- ASX listed shares	3	3
	<b>3</b>	<b>3</b>

### 7. EXPLORATION AND EVALUATION EXPENDITURE

	2017	2016
	\$	\$
<b>NON-CURRENT</b>		
Capitalised exploration and evaluation expenditure – at cost	-	-
Less: allowance for impairment	-	-
Capitalised exploration and evaluation expenditure	-	-

	2017	2016
	\$	\$
<b>a) Reconciliation of carrying amount</b>		
Balance at beginning of financial period	-	50,000
Expenditure in current year	42,873	82,641
Impairment of exploration assets	(42,873)	(132,641)
Balance at end of reporting period	-	-

#### Exploration and Evaluation Phase Costs

Costs capitalised on areas of interest have been reviewed for impairment factors, such as resources prices, ability to meet expenditure going forward and potential resource downgrades. It is the Directors' opinion that the Company has ownership, or title to the areas of interests it has capitalised expenditure on and has reasonable expectations that its activities are ongoing, and the values of these tenements have not been impaired.

### 8. TRADE AND OTHER PAYABLES

	2017	2016
	\$	\$
<b>CURRENT (Unsecured)</b>		
Trade payables	211,465	123,296
Sundry payables and accrued expenses	25,195	33,345
	<b>236,660</b>	<b>156,641</b>
<b>Financial liabilities at amortised cost classified as trade and other payables</b>		
Total current	<b>236,660</b>	<b>156,641</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



### 9. ISSUED CAPITAL

	2017 \$	2016 \$
381,214,031 (2016: 381,214,031) fully paid ordinary shares	<b>36,898,215</b>	36,898,215
Nil (2016: Nil) ordinary shares paid to 10c	<b>780,887</b>	780,887
	<b>37,679,102</b>	37,679,102

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called.

Reconciliation of movements in share capital during the year:

	Fully Paid Ordinary Shares		Fully Paid Ordinary Shares	
	2017 No. Shares	2016 No. Shares	2017 \$	2016 \$
Balance at beginning of reporting year:	<b>381,214,031</b>	381,214,031	<b>36,898,215</b>	36,898,215
Shares issued during the year	-	-	-	-
Cost of capital	-	-	-	-
Balance at end of reporting year	<b>381,214,031</b>	381,214,031	<b>36,898,215</b>	36,898,215

### Capital Risk Management

The Board controls the capital of the Company in order to ensure that the Company can fund its operations and continue as a going concern. The Company's capital includes ordinary share capital, both fully paid and partly paid. There are no externally imposed capital requirements.

The Board effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by the Board to control the capital of the Company since the prior year. This strategy is to maintain share capital as dictated by operational requirements and market conditions.

The gearing ratios for the year ended 30 June 2017 and 30 June 2016 are as follows:

	Note	2017 \$	2016 \$
Total borrowings	<b>8</b>	<b>236,660</b>	156,641
Less cash and cash equivalents	<b>4</b>	<b>(2,970)</b>	(5,477)
Net debt		<b>233,690</b>	151,164
Total equity		<b>(231,376)</b>	(145,909)
Total capital		<b>2,314</b>	5,255
Gearing ratio		<b>10,099%</b>	2,877%

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



### 10. RESERVES

		2017	2016
		\$	\$
Options reserve	(a)	654,445	654,445
Fair value reserve	(b)	(6)	(6)
Share based payment reserve	(c)	186,001	186,001
		<b>840,440</b>	<b>840,440</b>

#### a) Options reserve

The options reserve represents the charge for outstanding options which have met all conditions precedent to vest, but which have not been exercised. There are no options outstanding at 30 June 2017 (2016: Nil).

#### b) Fair value reserve

The fair value reserve represents the revaluation of available for sale financial assets.

#### c) Share based payment reserve

The share based payment reserve records items recognised as expenses on valuation of options.

### 11. FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise mainly of deposits with banks, account payable and receivables and financial liabilities.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2017	2016
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	2,970	5,477
Financial assets	3	3
	<b>2,973</b>	<b>5,480</b>
<b>Financial Liabilities</b>		
Trade and other payables	236,660	156,641
	<b>236,660</b>	<b>156,641</b>

#### Financial Risk Management Policies

The board's overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of future cash flow requirements.

#### Specific Financial Risk Exposure and Management

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and price risk.

#### a) Interest rate risk

The Company's main interest rate risk arises from exposure to earnings volatility on cash deposits to be applied to exploration and development areas of interest.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



It is the Company's policy to invest cash in short term deposits to minimise the Company's exposure to interest rate fluctuations. The Company's deposits were denominated in Australian dollars throughout the year. The Company did not enter into any interest rate swap contracts during the year ended 30 June 2017.

### b) Credit Risk

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Company.

The Company has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The cash transactions of the Company are limited to high credit quality financial institutions. The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

#### *Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position.

The Company has no significant concentration of credit risk with any single counterparty or Company of counterparties. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality.

### c) Liquidity Risk

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by monitoring forecast and actual cash flows in relation to its operational, investing and financing activities. At the reporting date, the Company had no financing arrangements in place. All financial liabilities are current and expected to settle within six months.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Financial liabilities - due for payment:</i>								
Trade and other payables	236,660	156,641	-	-	-	-	236,660	156,641
Financial liabilities	-	-	-	-	-	-	-	-
<b>Total contractual outflows</b>	<b>236,660</b>	<b>156,641</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>236,660</b>	<b>156,641</b>
<i>Financial assets – cash flows realisable</i>								
Cash & cash equivalents	2,970	5,477	-	-	-	-	2,970	5,477
Financial assets	3	3	-	-	-	-	3	3
<b>Total anticipated inflows</b>	<b>2,973</b>	<b>5,480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,973</b>	<b>5,480</b>
<b>Net inflow/(outflow) on financial instruments</b>	<b>(233,687)</b>	<b>(151,161)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(233,687)</b>	<b>(151,161)</b>

Cash flows from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that facilities will roll forward.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



### d) Foreign currency risk

As at 30 June 2017, the Company had no exposure to foreign currency risk.

### e) Price Risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors, and performance of the underlying asset.

The Company is exposed to securities price risk on investments held for medium to longer terms. Such risk is managed through an appropriate level of review of the fundamentals of each investment or acquisition. The impact on reported profit and equity based on the Company's exposure to securities price risk within reasonably expected ranges would not be material.

### Fair value of financial assets and financial liabilities

There is no difference between the fair values and the carrying amounts of the Company's financial instruments. The Company has no unrecognised financial instruments at balance date.

### Sensitivity analysis

#### *Interest Rate Sensitivity Analysis*

A movement of 10% in interest rates (considered a reasonably possible change) on the Company's post tax loss for the year and on equity would not have been material.

#### *Financial Instruments Measured at Fair Value*

A movement of 10% in the fair value of financial assets at fair value through the profit and loss (considered a reasonably possible change) on the Company's post tax loss for the year and on equity would not have been material.

## 12. COMMITMENTS FOR EXPENDITURE

The Company currently has non contractual commitments for expenditure on its exploration tenements as follows:

	2017	2016
	\$	\$
Non contractual commitments	<u>251,075</u>	<u>242,000</u>

## 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At 30 June 2017 and 30 June 2016 the Company had no contingent liabilities.

## 14. RELATED PARTY TRANSACTIONS

### a) Key Management Personnel (KMP)

Other than the Directors and the Company Secretary, the Company had no key management personnel for the financial year ended 30 June 2017 or 30 June 2016. There was nil remuneration paid to KMP of the Company during the financial year ended 30 June 2017 and 30 June 2016.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



### Shares held by Directors and Officers

Ordinary shares held by Directors, Officers and their associated entities

2017	Balance at 1 July 2016 Number	Received as Remunera- tion Number	Conversion of Debt to Equity Number	Additions/ Disposals Number	Adjustment at Date of Resignation Number	Balance at 30 June 2017 Number
<b>Directors</b>						
T. Sage	12,965,513	-	-	-	-	12,965,513
M. Gwynne	-	-	-	-	-	-
N. Sage	-	-	-	-	-	-
M. Sutherland	-	-	-	-	-	-
<b>Other Key Management Personnel</b>						
M. Chapman	862,069	-	-	-	-	862,069
<b>Total</b>	<b>13,827,582</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,827,582</b>

2016	Balance at 1 July 2015 Number	Number of Options Granted Number	Number of Options Exercised Number	Number of Options Lapsed Number	Number of Options Cancelled Number	Balance at 30 June 2016 Number
<b>Directors</b>						
T. Sage	12,965,513	-	-	-	-	12,965,513
M. Gwynne	-	-	-	-	-	-
M. Sutherland	-	-	-	-	-	-
J. Brewer	1,062,059	-	-	-	(1,062,059)	-
<b>Other Key Management Personnel</b>						
M. Chapman	862,069	-	-	-	-	862,069
<b>Total</b>	<b>14,889,641</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,062,059)</b>	<b>13,827,582</b>

### b) Other Related Parties

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

	2017 \$	2016 \$
Cape Lambert Resources Ltd – substantial shareholder of the Company. Mr Sage is an Executive Director of Cape Lambert Resources Ltd. Recharge of rent, staffing and office costs during the period he was a Director.		
Invoiced during the year	117,370	43,122
At year end unpaid amount in Trade Creditors.	160,492	43,122
Cauldron Energy Limited. Mr Sage is an Executive Chairman and Mr Gwynne is a Non-Executive Director of Cauldron Energy Limited. Recharge of exploration activities.		
Invoiced during the year	-	10,058

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



At year end unpaid amount in Trade Creditors	<b>10,058</b>	10,058
Silverwest Corporation Pty Ltd. as trustee for the Coral Reefers Family Trust, a company controlled by Mr Gwynne. Provision of exploration consulting services.		
Invoiced during the year	-	7,040
At year end unpaid amount in Trade Creditors	<b>7,040</b>	7,040

### 15. EARNINGS PER SHARE

	2017	2016
	\$	\$
<b>Reconciliation of earnings per share – continuing and discontinued operations</b>		
Loss as per Statement of Profit or Loss and Other Comprehensive Income	<b>(85,467)</b>	(179,659)
Loss used to calculate basic earnings per share	<b>(85,467)</b>	(179,659)
<b>Reconciliation of earnings per share – continuing operations</b>		
Loss from continuing operations for the year	<b>(85,467)</b>	(179,659)
<b>Reconciliation of weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	<b>381,214,031</b>	381,214,031
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	<b>381,214,031</b>	381,214,031
Anti-dilutive options on issue not used in dilutive earnings per share calculation	-	-

The company currently has no options that could potentially dilute basic earnings per share in the future.

### 16. SEGMENT INFORMATION

The Company's operations in 2016 and 2017 are managed in Australia and involve exploration of its mineral properties in Western Australia.

### 17. AUDITORS' REMUNERATION

	2017	2016
	\$	\$
<b>Paid or payable to Stantons International</b>		
Audit or review of the financial statements	<b>3,000</b>	5,000
Other non-audit services	-	-
	<b>3,000</b>	5,000

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017



### 18. CASH FLOW INFORMATION

#### a) Reconciliation of net cash used in operating activities with profit/(loss) after income tax

	2017	2016
	\$	\$
<b>Profit/(Loss) after income tax</b>	<b>(85,467)</b>	<b>(179,659)</b>
Non-cash flows in profit/(loss):		
- Impairment of exploration assets	<b>42,873</b>	132,641
Changes in assets and liabilities during the financial year:		
- Decrease/(Increase) in prepayments	<b>(2,941)</b>	(86)
- Increase in trade and other payables	<b>44,532</b>	37,024
<b>Net cash used in operating activities</b>	<b>(1,003)</b>	<b>(10,080)</b>

#### b) Non-cash Financing and Investing Activities Share based payments:

During the year no options were issued to Directors, Key Management Personnel and consultants to the Company (2016: nil).

### 19. SIGNIFICANT AFTER BALANCE DATE EVENTS

No event has arisen since 30 June 2017 that would be likely to materially affect the operations of the Company, or its state of affairs which have not otherwise been disclosed in this financial report.

# DIRECTORS' DECLARATION



The Directors of the Company declare that:

1. the financial statements and notes, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in accounting policy Note 1(a) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the company;
2. the Director and Company Secretary have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. Subject to the matters set out in note 1b, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Tony Sage  
Chairman

Perth

26 September 2017

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
GLOBAL STRATEGIC METALS LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Global Strategic Metals Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

*Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation 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 is free from material misstatement, whether due to fraud or error. In note 1a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of Global Strategic Metals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1a).

*Emphasis of Matter Regarding Going Concern*

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 1 b) to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. At 30 June 2017, the Company had cash and cash equivalents totalling \$2,970, a deficiency in working capital of \$231,376, and had incurred a loss after tax for the year of \$85,467. The ability of the parent company and Company to continue as going concerns is subject to the successful recapitalisation of the parent company and Company. In the event that the Board is not successful in recapitalising the parent and Company and in raising further funds, the company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the company's and its subsidiaries assets may be significantly less than book values.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director

West Perth, Western Australia  
26 September 2017