



Karratha Metals Group Limited

ABN 82 000 738 885

Annual Report 2018

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CORPORATE DIRECTORY



DIRECTORS

Tony Sage (Non-Executive Chairman)
Nic Sage (Non-Executive Director)
Michael Sutherland (Non-Executive Director)

COMPANY SECRETARY

Melissa Chapman

PRINCIPAL AND REGISTERED ADDRESS

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West Leederville, WA, 6007

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AUDITORS

Stantons International

BANKERS

Australia and New Zealand Banking Group Limited (ANZ)

SOLICITORS

Atkinson Corporate Lawyers

DIRECTORS' REPORT



Your directors submit the financial report of Karratha Metals Group Limited (formerly Global Strategic Metals Limited) for the year ended 30 June 2018.

DIRECTORS

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

TONY SAGE 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.
NIC SAGE Non-Executive Director	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.
MICHAEL SUTHERLAND 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. Ms Chapman is a director of Bellatrix Corporate Pty Ltd (**Bellatrix**), a company that provides company secretarial and accounting services to a number of ASX listed companies.

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 \$137,116 (2017: \$85,467 loss). The net liabilities of the Company at 30 June 2018 are (\$233,038) (2017: (\$231,376)).

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO BALANCE DATE

No event has arisen since 30 June 2018 that would be likely to materially affect the operations of the Company, or its state of affairs other than the following:

On 29 June 2018, the Company lodged a prospectus with ASIC for a non-renounceable pro rata offer of approximately 514,513,175 shares at an issue price of \$0.001 per share, on the basis of 4 new shares for every 3 existing shares held to raise up to approximately \$500,000, before issue costs (**Offer**). The Offer is open from 9 – 27 July 2018 and is partially underwritten for \$330,000 by Okewood Pty Ltd, an entity controlled by Mr Tony Sage, and Kingmaker Metals Pty Limited. On 27 July 2018, the Company lodged a supplementary prospectus with ASIC extending the closing date of the Offer to 10 August 2018. On 5 September 2018 the Company completed the rights issue by issuing 330,000,000 fully paid ordinary shares at \$0.001 per share to raised proceeds of \$330,000. The capital raised will be used to repay the Kingmaker loan facility (\$165,000), meet minimum expenditure commitments on its Elizabeth Hill silver project, identify and undertake initial evaluation of investment opportunities in the resources sector, and have sufficient funds for working capital.

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 currently undertaking 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

There were no Directors' meetings held during the year however the Directors resolved a number of issues through the execution of circular resolutions

UNISSUED SHARES UNDER OPTION

At the date of this report, there were no unissued ordinary shares of Karratha Metals Group 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 2018 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', is written over a light blue horizontal line.

Tony Sage
Chairman

Perth 7 September 2018

7 September 2018

Board of Directors
Karratha Metals Group Limited
32 Harrogate Street
West Leederville WA 6007

Dear Directors

RE: KARRATHA METALS GROUP 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 Karratha Metals Group Limited.

As Audit Director for the audit of the financial statements of Karratha Metals Group Limited for the year ended 30 June 2018, 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 2018

		2018 \$	2017 \$
CONTINUING OPERATIONS			
Revenue	2	36	-
Compliance costs		(17,762)	(36,102)
Director fees		(85,000)	-
Consultant fees		(22,110)	-
Legal fees		(12,519)	(7,868)
Impairment of exploration assets	7	(44,877)	(42,873)
Reversal of impairment of loan	5	71,011	-
Finance expenses		(22,367)	-
Other expenses		(3,528)	1,376
(LOSS) BEFORE INCOME TAX		(137,116)	(85,467)
Income tax benefit		-	-
(LOSS) FROM CONTINUING OPERATIONS FOR THE YEAR		(137,116)	(85,467)
DISCONTINUED OPERATIONS			
(Loss) for the year from discontinued operations		-	-
(LOSS) FOR THE YEAR		(137,116)	(85,467)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequent to profit or loss			
Change in fair value of financial assets		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL (LOSS) AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		(137,116)	(85,467)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR		(137,116)	(85,467)
Earnings per share			
From continuing and discontinued operations			
Basic/diluted (loss) per share (cents)	16	(0.036) cents	(0.022) cents
From continuing operations			
Basic/diluted (loss) per share (cents)	16	(0.036) cents	(0.022) 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 2018

		2018 \$	2017 \$
		<u> </u>	<u> </u>
CURRENT ASSETS			
Cash and cash equivalents	4	40,516	2,970
Other assets	5	<u>2,542</u>	<u>2,311</u>
TOTAL CURRENT ASSETS		<u>43,058</u>	<u>5,281</u>
NON-CURRENT ASSETS			
Financial assets	6	3	3
Exploration and evaluation expenditure	7	<u>-</u>	<u>-</u>
TOTAL NON-CURRENT ASSETS		<u>3</u>	<u>3</u>
TOTAL ASSETS		<u>43,061</u>	<u>5,284</u>
CURRENT LIABILITIES			
Trade and other payables	8	105,297	236,660
Borrowings	9	<u>170,802</u>	<u>-</u>
TOTAL CURRENT LIABILITIES		<u>276,099</u>	<u>236,660</u>
TOTAL LIABILITIES		<u>276,099</u>	<u>236,660</u>
NET LIABILITIES		<u>(233,038)</u>	<u>(231,376)</u>
EQUITY			
Issued capital	10	37,814,556	37,679,102
Reserves	11	840,440	840,440
Accumulated losses		<u>(38,888,034)</u>	<u>(38,750,918)</u>
TOTAL EQUITY		<u>(233,038)</u>	<u>(231,376)</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 2018

	Issued Capital	Fair Value Reserve	Options Reserve	Share Base payment reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2016	37,679,102	(6)	654,445	186,001	(38,665,451)	(145,909)
(Loss) for the year	-	-	-	-	(85,467)	(85,467)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	-	-	(85,467)	(85,467)
BALANCE AT 30 JUNE 2017	37,679,102	(6)	654,445	186,001	(38,750,918)	(231,376)
BALANCE AT 1 JULY 2017	37,679,102	(6)	654,445	186,001	(38,750,918)	(231,376)
Shares issued during the year	135,454	-	-	-	-	135,454
(Loss) for the year	-	-	-	-	(137,116)	(137,116)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	135,454	-	-	-	(137,116)	(1,662)
BALANCE AT 30 JUNE 2018	37,814,556	(6)	654,445	186,001	(38,888,034)	(233,038)

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 2018



	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(177,126)	(6,590)
Interest received	36	-
Other – VAT/GST Refund	10,965	5,587
NET CASH (USED IN) OPERATING ACTIVITIES	19 (166,124)	(1,003)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(15,733)	(1,504)
NET CASH (USED IN) INVESTING ACTIVITIES	(15,733)	(1,504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	148,435	-
Repayment of borrowings	70,969	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	219,404	-
NET INCREASE/(DECREASE) IN CASH HELD	37,546	(2,507)
Cash at the beginning of the financial year	2,970	5,477
Effect of exchange rates on cash holdings in foreign currencies	-	-
CASH AT THE END OF THE FINANCIAL YEAR	4 40,516	2,970

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 2018

These financial statements and notes represent those of Karratha Metals Group Limited (formerly 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 7 September 2018 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 2018 the Company incurred a loss of \$137,116 (2017: Loss \$85,467).

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 2018 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) INCOME TAXES

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

profits together with future tax planning strategies.

The Company has tax losses carried forward. These losses do not expire and may not be used to offset future taxable income. The Company does not have any taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

e) 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.

f) FINANCIAL INSTRUMENTS

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments or available-for-sale investments, as appropriate. The Company determines the classification of its financial assets on initial recognition.

Financial assets at fair value through profit and loss

Financial assets classified as held for trading are included in the 'financial assets at fair value through the profit and loss' category. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit and loss.

g) 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.

h) 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-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

term borrowings in current liabilities on the Statement of Financial Position.

i) REVENUE RECOGNITION

Interest revenue is recognised using the effective interest method.

j) 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.

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. 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.

l) FOREIGN CURRENCY TRANSACTIONS

The functional and presentation currency of the Company is Australian dollars.

All foreign currency transactions occurring during the financial year are recognised at the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the profit or loss in the period in which they arise except those exchange differences which relate to assets under construction for future productive use which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

m) 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.

n) 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.

o) COMPARATIVE FIGURES

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

p) 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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 2017 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Company's disclosures.

q) 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 (2017: Nil).

2. REVENUE AND OTHER INCOME

	2018	2017
	\$	\$
Interest received – unrelated parties	36	-
	36	-

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:

	2018	2017
	\$	\$
Accounting (loss)	(137,116)	(85,467)
Tax at 27.5% (2017: 27.5%)	(37,707)	(23,503)
Deferred tax assets not recognised	37,707	23,503
Income tax expense	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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:

	2018	2017
	\$	\$
Deferred tax assets		
- Accrued expenses	45,000	8,000
- Gross deferred tax assets	12,375	2,200
- Set off against deferred tax liabilities	(12,375)	(2,200)
Deferred tax liabilities		
- Capitalised exploration and evaluation expenditure	-	-
- Other	-	-
- Gross deferred tax liabilities	-	-
- Set off against deferred tax assets	-	-
- Net deferred tax liabilities	-	-
	2018	2017
	\$	\$
Unrecognised deferred tax assets		
Deferred tax assets were not recognised in relation to the following:		
- Tax losses: operating losses	4,635,153	4,597,446
- Capital losses	566,158	566,158
	5,201,311	5,163,604

The recoupment of available tax losses as at 30 June 2018 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

	2018	2017
	\$	\$
- Franking account balance	113,705	113,705

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

4. CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash and cash equivalents	<u>40,516</u>	<u>2,970</u>

5. OTHER ASSETS

	2018	2017
	\$	\$
CURRENT		
Prepayments	2,542	2,311
Short term loan	-	71,011
Provision for doubtful debts ¹⁾	-	(71,011)
	<u>2,542</u>	<u>2,311</u>

Provision for Impairment of Receivables

¹⁾ 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. At 30 June 2017, a loan amount of \$71,011 remained unpaid associated with these shares. At 30 June 2017, the Company raised a provision for this receivable amount, given the uncertainty around the date it would be received. During the current year the loan was repaid in full and the provision for impairment reversed.

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.

6. OTHER FINANCIAL ASSETS

	2018	2017
	\$	\$
NON-CURRENT		
Available for sale investments in related parties carried at fair value:		
- ASX listed shares	3	3
	<u>3</u>	<u>3</u>

7. EXPLORATION AND EVALUATION EXPENDITURE

	2018	2017
	\$	\$
NON-CURRENT		
Capitalised exploration and evaluation expenditure – at cost	-	-
Less: allowance for impairment	-	-
Capitalised exploration and evaluation expenditure	<u>(a) -</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



	2018	2017
	\$	\$
a) Reconciliation of carrying amount		
Balance at beginning of financial period	-	-
Expenditure in current year	44,877	42,873
Impairment of exploration assets	(44,877)	(42,873)
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

	2018	2017
	\$	\$
CURRENT (Unsecured)		
Trade payables	48,554	211,465
Sundry payables and accrued expenses	56,743	25,195
	105,297	236,660
Financial liabilities at amortised cost classified as trade and other payables		
Total current	105,297	236,660
	105,297	236,660

9. BORROWINGS

	2018	2017
	\$	\$
Loan payable ¹	170,802	-
	170,802	-

¹ In December 2017 the Company entered into a loan facility agreement with Kingmakers Metals Pty Ltd for \$200,000. Interest is payable at 10% per annum on the drawn down amount. Repayment of the loan is 12 months following the advancement of funds. In association with this loan, the Company entered into a general security deed at the same time whereby the Elizabeth Hill tenements are security against the loan.

10. ISSUED CAPITAL

	2018	2017
	\$	\$
385,884,882 (2017: 381,214,031) fully paid ordinary shares	37,033,669	36,898,215
Nil (2017: Nil) ordinary shares paid to 10c	780,887	780,887
	37,814,556	37,679,102

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



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	
	2018	2017	2018	2017
	No. Shares	No. Shares	\$	\$
Balance at beginning of reporting year:	381,214,031	381,214,031	36,898,215	36,898,215
Shares issued during the year	4,670,851	-	135,454	-
Cost of capital	-	-	-	-
Balance at end of reporting year	385,884,882	381,214,031	37,033,669	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 2018 and 30 June 2017 are as follows:

	Note	2018	2017
		\$	\$
Total borrowings	8, 9	276,099	236,660
Less: cash and cash equivalents	4	(40,516)	(2,970)
Net debt		235,583	233,690
Total equity		(233,038)	(231,376)
Total capital		2,545	2,314
Gearing ratio		9,019%	10,099%

11. RESERVES

		2018	2017
		\$	\$
Options reserve	(a)	654,445	654,445
Fair value reserve	(b)	(6)	(6)
Share based payment reserve	(c)	186,001	186,001
		840,440	840,440

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 2018 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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.

12. 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:

	2018	2017
	\$	\$
Financial Assets		
Cash and cash equivalents	40,516	2,970
Financial assets	3	3
	40,519	2,973
Financial Liabilities		
Trade and other payables	105,297	236,660
Borrowings	170,802	-
	276,099	236,660

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.

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 2018.

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

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FOR THE YEAR ENDED 30 JUNE 2018

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	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Financial liabilities - due for payment:</i>								
Trade and other payables	105,297	236,660	-	-	-	-	105,297	236,660
Borrowings	170,802	-	-	-	-	-	170,802	-
Total contractual outflows	276,099	236,660	-	-	-	-	276,099	236,660
<i>Financial assets – cash flows realisable</i>								
Cash & cash equivalents	40,516	2,970	-	-	-	-	40,516	2,970
Financial assets	3	3	-	-	-	-	3	3
Total anticipated inflows	40,519	2,973	-	-	-	-	40,519	2,973
Net inflow/(outflow) on financial instruments	(235,580)	(233,687)	-	-	-	-	(235,580)	(233,687)

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.

d) Foreign currency risk

As at 30 June 2018, 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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.

13. COMMITMENTS FOR EXPENDITURE

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

	2018	2017
	\$	\$
Minimum expenditure commitments	40,000	251,075

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At 30 June 2018 and 30 June 2017 the Company had no contingent liabilities.

15. 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 2018 or 30 June 2017. The following remuneration was paid to KMP of the Company during the financial year ended 30 June 2018 (30 June 2017: nil):

2018	Short Term Salary & Fees	Post-Employment Superannuation	Termination Benefits	Equity Options	Total	Option Related
	\$	\$	\$	\$	\$	%
Directors						
T. Sage	34,000	-	-	-	34,000	-
N. Sage	17,000	-	-	-	17,000	-
M. Sutherland	34,000	-	-	-	34,000	-
Other Key Management Personnel						
M. Chapman	16,000	-	-	-	16,000	-
Total	101,000	-	-	-	101,000	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Shares held by Directors and Officers

Ordinary shares held by Directors, Officers and their associated entities

2018	Balance at 1 July 2017 Number	Received as Remuneration Number	Conversion of Debt to Equity Number	Additions / Disposals Number	Adjustment at Date of Resignation Number	Balance at 30 June 2018 Number
Directors						
T. Sage	12,965,513	-	455,172(i)	-	-	13,420,685
N. Sage	-	-	132,759(ii)	-	-	132,759
M. Sutherland	-	-	455,172(iii)	-	-	455,172
Other Key Management Personnel						
M. Chapman	862,069	-	-	-	-	862,069
Total	13,827,582	-	1,043,103	-	-	14,870,685

(i) Shares issued at \$0.029 per share in lieu of director fees for the period of September 2015 to August 2017.

(ii) Shares issued at \$0.029 per share in lieu of director fees for the period February 2017 to August 2017.

(iii) Shares issued at \$0.029 per share in lieu of director fees for the period of September 2015 to August 2017.

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

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:

	2018 \$	2017 \$
Cape Lambert Resources Ltd – substantial shareholder of the Company. Messrs Tony Sage is a director of Cape Lambert Resources Ltd. Recharge of insurance and legal costs.		
Invoiced during the year	7,149	117,370
At year end unpaid amount in Trade Creditors.	-	160,492
Bellatrix Corporate Pty Ltd. Ms Chapman is a director of Bellatrix Corporate Pty Ltd. Provision of accounting and company secretarial services.		
Invoiced during the year	17,600	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



At year end unpaid amount in Trade Creditors	2,200	10,058
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16. EARNINGS PER SHARE

	2018	2017
	\$	\$
Reconciliation of earnings per share – continuing and discontinued operations		
Loss as per Statement of Profit or Loss and Other Comprehensive Income	(137,116)	(85,467)
Loss used to calculate basic earnings per share	(137,116)	(85,467)
Reconciliation of earnings per share – continuing operations		
Loss from continuing operations for the year	(137,116)	(85,467)
Reconciliation of weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	383,536,062	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	383,536,062	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 2018 and 2017 are managed in Australia and involve exploration of its mineral properties in Western Australia.

17. AUDITORS' REMUNERATION

	2018	2017
	\$	\$
Paid or payable to Stantons International		
Audit or review of the financial statements	8,279	3,000
Other non-audit services	6,000	-
	14,279	3,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



18. CASH FLOW INFORMATION

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

	2018	2017
	\$	\$
(Loss) after income tax	(137,116)	(85,467)
Non-cash flows in (loss):		
- Impairment of exploration assets	44,877	42,873
- Expenses settled in equity	(31,075)	-
Changes in assets and liabilities during the financial year:		
- Decrease/(increase) in prepayments	(232)	(2,941)
- Increase/(decrease) in trade and other payables	(42,579)	44,532
Net cash used in operating activities	(166,124)	(1,003)

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 (2017: nil).

19. SIGNIFICANT AFTER BALANCE DATE EVENTS

No event has arisen since 30 June 2018 that would be likely to materially affect the operations of the Company, or its state of affairs other than the following:

On 29 June 2018, the Company lodged a prospectus with ASIC for a non-renounceable pro rata offer of approximately 514,513,175 shares at an issue price of \$0.001 per share, on the basis of 4 new shares for every 3 existing shares held to raise up to approximately \$500,000, before issue costs (**Offer**). The Offer is open from 9 – 27 July 2018 and is partially underwritten for \$330,000 by Okewood Pty Ltd, an entity controlled by Mr Tony Sage, and Kingmaker Metals Pty Limited. On 27 July 2018, the Company lodged a supplementary prospectus with ASIC extending the closing date of the Offer to 10 August 2018. On 5 September 2018 the Company completed the rights issue by issuing 330,000,000 fully paid ordinary shares at \$0.001 per share to raised proceeds of \$330,000. The capital raised will be used to repay the Kingmaker loan facility (\$165,000), meet minimum expenditure commitments on its Elizabeth Hill silver project, identify and undertake initial evaluation of investment opportunities in the resources sector, and have sufficient funds for working capital.

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 2018 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.

A handwritten signature in black ink, appearing to read 'Tony Sage', is positioned above the printed name and title.

Tony Sage
Chairman

Perth

7 September 2018

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
KARRATHA METALS GROUP LIMITED**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Karratha Metals Group Limited (the Company), which comprises the statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 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 opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. 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 entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

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.

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

We 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.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report.

We 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 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.

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

7 September 2018