



**LUSTRUM**  
MINERALS LIMITED

ABN 83 609 594 005

**FINANCIAL REPORT**

FOR THE YEAR ENDED

30 June 2019

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# FINANCIAL REPORT

for the year ended June 2019

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# CORPORATE DIRECTORY

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## DIRECTORS

David Prentice (Non-Executive Chairman)  
Josh Puckridge (Non-Executive Director)  
Loren King (Non-Executive Director)

## COMPANY SECRETARY

Loren Anne King

## REGISTERED OFFICE

C/- Cicero Corporate Services Pty Ltd  
Suite 9, 330 Churchill Avenue  
Subiaco WA 6008

## POSTAL ADDRESS

PO Box 866  
Subiaco WA 6904

## PRINCIPAL PLACE OF BUSINESS

Suite 9, 330 Churchill Avenue  
Subiaco WA 6008

## CONTACT INFORMATION

Tel: +61 8 6489 1600  
Fax: +61 8 6489 1601

## AUDITORS

[HLB Mann Judd](#)  
Level 4, 130 Stirling Street  
Perth WA 6000

## BANKER

[National Australia Bank](#)  
Level 1, 1238 Hay Street  
West Perth WA 6005

## SHARE REGISTRY

[Automic Share Registry](#)  
Level 2, 267 St Georges Terrace  
Perth WA 6000

1300 288 664 (Local)  
+61 2 9698 5414 (International)

[www.automic.com.au](http://www.automic.com.au)

## EXCHANGE

[Australian Securities Exchange \(ASX\)](#)  
Level 40, Central Park  
152-158 St George's Terrace  
Perth WA 6000

**ASX CODE: LRM**

## DIRECTORS' REPORT

The directors of Lustrum Minerals Limited (**Company** or **Lustrum**) submit herewith the financial report of the Company for the financial year ended 30 June 2019 (**year**). In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names, appointment periods and particulars of the Company directors who held office during the year are:

Director	Position	Date Appointed	Date Resigned
Mr David Prentice	Non-Executive Chairman	1 July 2016	-
Mr Josh Puckridge	Non-Executive Director	1 December 2015	-
Mrs Loren King	Non-Executive Director	1 July 2016	-

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

Company Secretary	Position	Date Appointed	Date Resigned
Mrs Loren King	Company Secretary	1 July 2016	-
Mr Harpreet (Sonu) Cheema	Joint Company Secretary	31 October 2018	31 July 2019

## INFORMATION ON DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information on Directors as at the date of this report is as follows:

### MR DAVID PRENTICE

#### NON-EXECUTIVE CHAIRMAN

David is a senior resources executive with 25 plus years domestic and international experience. David started his career working in commercial and business development roles within the resources sector working for some of Australia's most successful gold and nickel exploration and production companies.

During the last 12 years David has gained international oil and gas exploration and production sector experience (with a specific focus on the Mid-Continent region of the United States) working in both executive and non-executive director roles with Australian publicly traded companies. David is currently Managing Director of Brookside Energy Limited (ASX: BRK), a non-executive director of Comet Resources Limited (ASX: CRL) and a director of Oklahoma unlisted company Black Mesa Production, LLC.

### MR JOSH PUCKRIDGE

#### NON-EXECUTIVE DIRECTOR

Mr Puckridge is a Corporate Finance Executive formerly working as specialist Equity Capital Markets Advisor for Fleming Australia, a Corporate Advisory and Funds Management firm based in Perth, Western Australia. He has significant experience within fund management, capital raising, mergers, acquisitions and divestments of projects by companies listed on the Australian Securities Exchange.

Mr Puckridge is currently non-executive director of Silver City Minerals Limited (ASX: SCI) and non-executive Chairman of Blaze International Limited (ASX: BLZ). Mr Puckridge was formerly executive Chairman of Fraser Range Metals Group Limited (ASX: FRN) and a Non-Executive Director of Alcidion Group Limited (ASX: ALC) and TopTung Limited (ASX: TTW) and formerly Executive Director of MCS Services Limited (ASX: MSG).

# DIRECTORS' REPORT

## MRS LOREN KING

### NON-EXECUTIVE DIRECTOR AND COMPANY SECRETARY

Mrs King has worked in finance and back office administration roles with ASX listed companies, stockbroking and corporate advisory services for the past 13 years. During this time, she has gained invaluable experience in dealing with all aspects of corporate governance and compliance, specialising in initial public offerings (IPO), backdoor listings, private capital raising and business development.

As well as being a Director at, and Company Secretary of, Cicero Corporate Services Pty Ltd, Mrs King currently holds the positions of Non-Executive Director and Company Secretary at Brookside Energy Limited (ASX: BRK). Mrs King has a Bachelor of Psychology, is a Fellow Member of the Governance Institute of Australia holding a Graduate Diploma of Applied Corporate Governance and has a Certificate IV in Financial Services (Bookkeeping).

## MR SONU CHEEMA

### JOINT COMPANY SECRETARY (Resigned 31 July 2019)

Mr Cheema is a Director of Cicero Corporate Services with over 10 years' experience working with public and private companies in Australia and abroad. Roles and responsibilities held by Mr Cheema include completion and preparation of management and ASX financial reports, investor relations, initial public offers, mergers and acquisitions, management of capital raising activities and auditor liaison.

Currently Mr Cheema is Non-Executive Director and Company Secretary of Technology Metals Australia Limited (ASX: TMT) and Company Secretary for Corizon Limited (ASX: CIZ), Avira Resources Limited (ASX: AVW), Yojee Limited (ASX: YOJ) and Comet Resources Limited (ASX: CRL). Mr Cheema has completed a Bachelor of Commerce majoring in Accounting at Curtin University and is a CPA member. Having completed the CPA Program, the core competencies and key areas of focus by Mr Cheema include Financial Reporting, Taxation, Management Accounting and Governance.

## DIRECTOR MEETINGS

The following table sets out information in relation to Board meetings held during the year:

Director	Eligible to Attend	Attended	Circular Resolutions Passed
Mr David Prentice	7	7	3
Mr Josh Puckridge	7	7	3
Mrs Loren King	7	7	3

## DIRECTORS' SHAREHOLDINGS

At the date of this report the following table sets out the current directors' relevant interests in shares and options of Lustrum Minerals Limited and the changes during the year ended 30 June 2019:

Director	Ordinary Shares	
	Current holding	Net increase/(decrease)
Mr David Prentice	100,000	-
Mr Josh Puckridge	-	-
Mrs Loren King	-	-

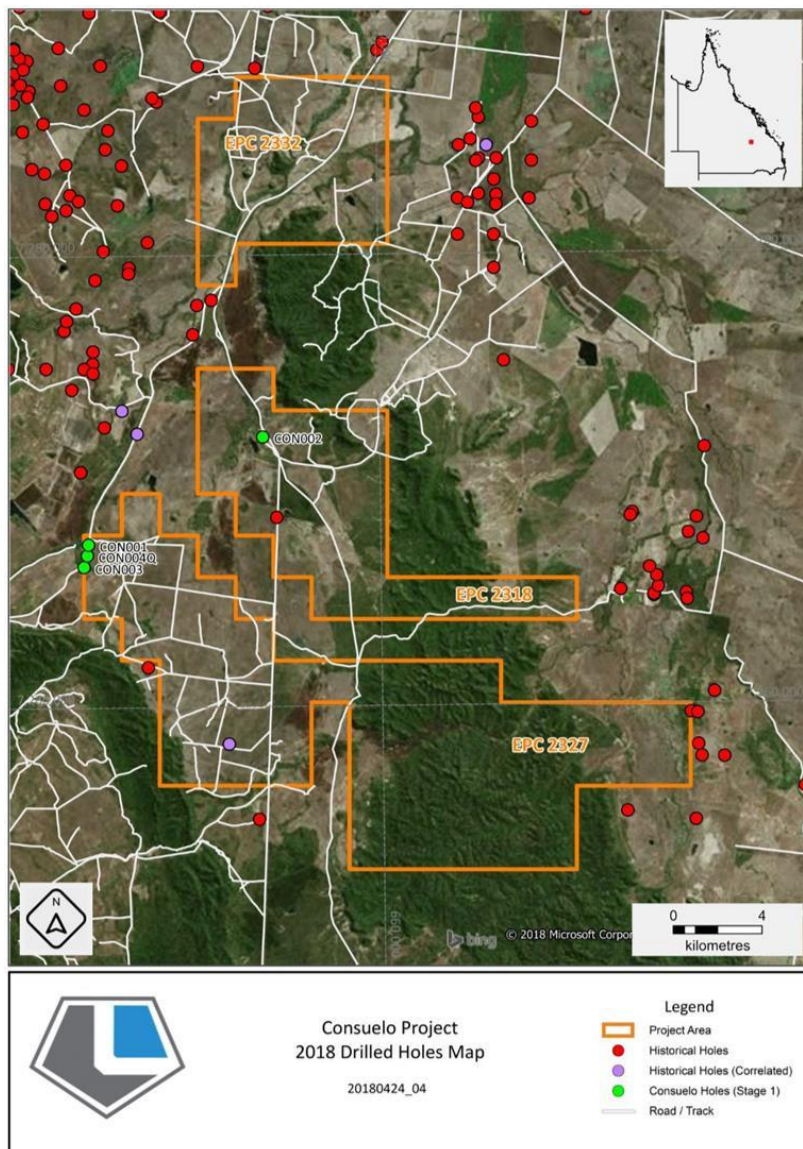
## REVIEW OF OPERATIONS

Lustrum Minerals Limited (ASX: **LRM**) (**Lustrum**) (**Company**) is pleased to provide a summary of its activities for the twelve (12) months ending 30 June 2019 (**Period**).

### PROJECT AND EXPLORATION SUMMARY

Lustrum's Consuelo Project is comprised of three (3) Coal Exploration Permits (EPCs 2327, 2318 and 2332, together the EPCs or Project) located south of the town of Rolleston in Queensland's Bowen Basin where Rolleston's high-quality thermal coal mine operates.

To date the Company has completed three drill holes on EPC 2327 and one at EPC 2318 with the aim of identifying coal resources of similar quality to those currently being mined at the nearby Rolleston coal mine. Holes CON001, CON002 and CON003 were drilled as open hole percussion holes and CON004Q was a partially cored hole that gathered coal seam samples for coal quality analysis.

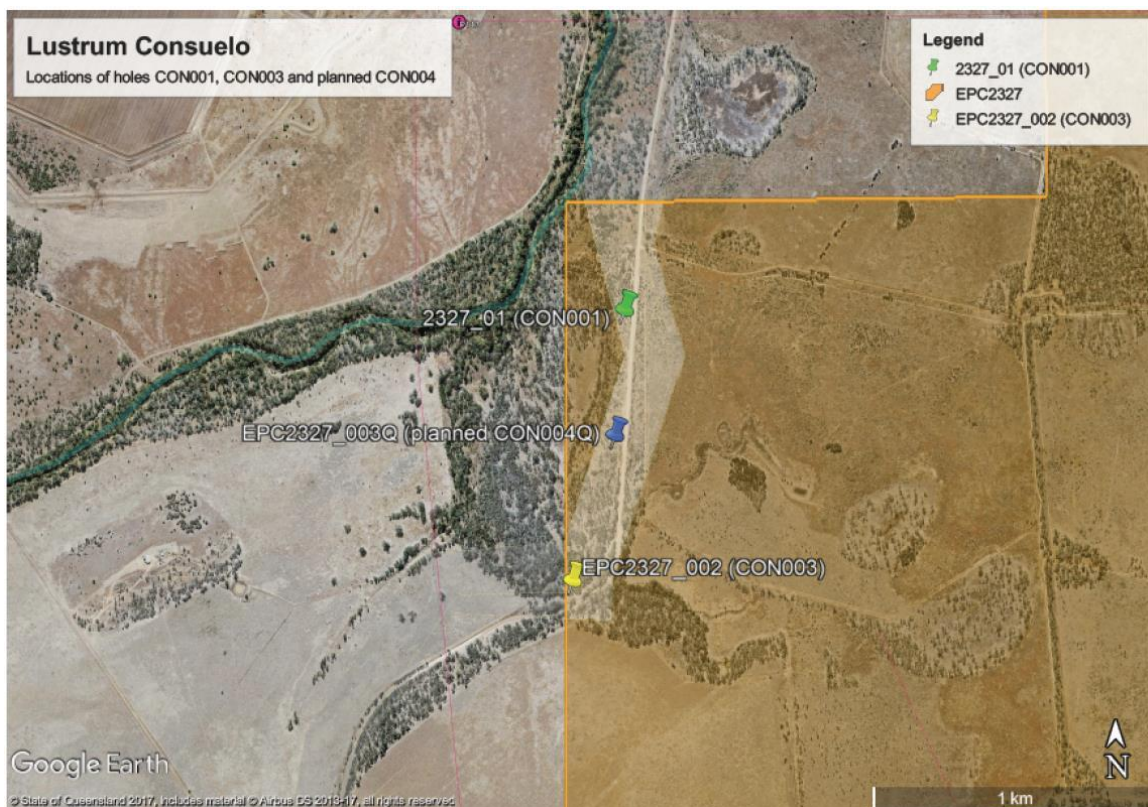


**Figure 1:** Location of drill holes completed on the Project

## DIRECTORS' REPORT

Generally, results show an excellent correlation of the coal sequence on the single traverse completed at EPC 2327, covering a broad north to south of approximately 1 km. Downhole Geophysical logging of the drill chips and core combined with the coal quality analysis of seams intersected in CON004Q confirmed coal seams intersecting with high correlation as per the Bandanna Formation, a sequence being mined at the nearby Rolleston Coal Mine (see "High Quality Coal confirmed at Consuelo", 25 June 2018).

In summary, drilling completed on EPC 2327 has confirmed the presence of moderate to high quality thermal coal at relatively shallow depths within the Bandanna Formation, with the data from this drilling to be used to provide an updated exploration target for the western portion of EPC 2327. The Company has engaged an independent consultant to compile the data and estimate the exploration target for this portion of the Consuelo Project. A program of step out drilling will be required to further define the orientation, dip and aerial extent of the thicker seams intersected.



**Figure 2:** Location of drill holes on EPC 2327

Elsewhere within the Consuelo Project area, a number of locations have been identified as having the potential for the delineation of shallow coal-bearing sequences based on interpretation of 2D seismic data and previously reported shallow coal intersections adjacent to the project boundary. A series of "road reserve" drill hole locations have been identified to follow up on these prospective shallow coal target areas, with planning underway to implement an initial drilling campaign to test these targets.

During the year the Company continued to consider and plan for the next stage of exploration on the Project. This has included assessing a number of factors, including macro and micro economic conditions and the summarised exploration success to date. The Company's review of its next exploration steps is ongoing, and it will inform the market in due course.

# DIRECTORS' REPORT

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## CAPITAL MANAGEMENT

On 14 May 2018, the Company embarked on an on-market buy-back of fully paid ordinary shares (**Shares**) in the Company with approval for the Buy-Back of up to 10,000,000 Shares being obtained at a general meeting of Shareholders on 16 August 2018 (Buy-Back). The Company closed the Buy-Back on 19 August 2019 having acquired 6,148,551 of its own shares for a total of \$848,913. Please consult the relevant appendices lodged with ASX for further information.

## CORPORATE

The Company appointed Mr Sonu Cheema as joint company secretary for the period 31 October 2018 to 31 July 2019.

## BUSINESS DEVELOPMENT

During the Period the Company spent significant time reviewing opportunities to create shareholder value via the acquisition of a project, or projects, complimentary to its existing asset base. These potential acquisitions are natural developments of the Company's business strategy and operations and should any of these opportunities consummate, the Company's board believes they have the potential to create significant value for shareholders.

At the time of this report, all discussions currently remain confidential, non-binding and incomplete.

## SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

No significant changes in the Company's state of affairs occurred during the period.

## PRINCIPAL ACTIVITIES

The Company is a mineral exploration company and was incorporated for the purpose of assessing opportunities in the natural resources sector.

The Company is mindful that it must constantly assess new opportunities for the Company to ensure the long-term creation of shareholder value.

## EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The Company's securities were voluntarily suspended from trading on ASX on 30 August 2019 pending the resolution of queries issued by ASX in relation to certain transactions that occurred in the year ending 30 June 2019, and as at the date of this report they remain in suspension. The Company is not able to provide an estimate of the financial effect (if any) of these matters.

There were no other events subsequent to the reporting date that required disclosure.

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Further information, other than as disclosed the Directors' Report, about likely developments in the operations of the Company and the expected results of those operations in future years has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Company.



# DIRECTORS' REPORT

## ENVIRONMENTAL ISSUES

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

## DIVIDENDS

No dividends were paid or declared during the year. The directors do not recommend the payment of a dividend in respect of the financial year.

## OPTIONS ON ISSUE

There were no options on issue at the date of this report.

## INDEMNIFICATION OF OFFICERS

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

## PROCEEDING ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

## NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company and/or Group are important. Non-audit services were provided by the Company's current auditors, HLB Mann Judd as detailed below.

The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Amounts paid/ payable to HLB Mann Judd or related entities for non-audit services	30 June 2019 \$	30 June 2018 \$
Preparation of Investigating Accountants Report	-	12,000

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2019 has been received and can be found on page 12.

## CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Lustrum and its controlled entities have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2015 and became effective for financial years beginning on or after 1 July 2015.

# REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Director's equity holdings

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

## A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The whole Board form the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long-term incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Company.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- All remuneration paid to directors and executives is valued at the cost to the Company and expensed.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Company currently has no performance-based remuneration component built into director and executive remuneration packages.

### NON-EXECUTIVE DIRECTORS

The remuneration of Non-Executive directors consists of directors' fees, payable in arrears. The total aggregate fee pool to be paid to directors (excluding Executive directors) is set at \$250,000 per year. Remuneration of Non-Executive directors is based on fees approved by the Board of directors and is set at levels to reflect market conditions and encourage the continued services of the directors. Non-Executive directors do not receive retirement benefits but are able to participate in share-based incentive programmes in accordance with Company policy.

# REMUNERATION REPORT (AUDITED)

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## SERVICE CONTRACTS

The Company entered into services agreements with each of its executive Directors and key management personnel. The Company also entered into Non-Executive Director appointment letters outlining the policies and terms of this appointment including compensation to the office of Director.

The principal terms of the executive service agreements existing at reporting date are set out below:

### Mr David Prentice – Non-Executive Chairman Engagement Deed

The Company has entered into a Non-Executive Director engagement deed with Mr Prentice pursuant to which the Company has agreed to pay \$80,000 per annum for services provided to the Company by Mr Prentice as a Non-Executive Director.

Either the Company or Mr Prentice may terminate the engagement upon 4 weeks written notice.

### Mr Josh Puckridge - Non-Executive Director Engagement Deed

The Company has entered into a Non-Executive Director engagement deed with Mr Puckridge pursuant to which the Company has agreed to pay Mr Puckridge \$40,000 per annum, for services provided to the Company as Non-Executive Director.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

### Mrs Loren King - Non-Executive Director Engagement Deed

The Company has entered into a Non-Executive Director engagement deed with Mrs King pursuant to which the Company has agreed to pay Mrs King \$40,000 per annum, for services provided to the Company as Non-Executive Director.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

## **B. DETAILS OF REMUNERATION**

The key management personnel of Lustrum Minerals Limited are the directors as listed on page 2 of the Director's Report.

The Company does not have any other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

No Remunerations consultants were used during the period.

## REMUNERATION REPORT (AUDITED)

The table below shows the 2019 and 2018 figures for remuneration received by the Company's directors and key management personnel:

Directors	Short-term employee benefits		Postemploy-ment benefits	Share-based Payments		Total	Performance based % of remuneration	
	Cash salary and fees	Other benefits	Super-annuation	Share Options	Perform-ance Rights		Fixed remuneration %	Remunera-tion linked to performance %
	\$	\$	\$	\$	\$	\$	%	%
<b>2019</b>								
Mr David Prentice <sup>(i)</sup>	80,000	-	-	-	-	80,000	-	-
Mr Josh Puckridge <sup>(ii)</sup>	39,993	-	-	-	-	39,993	-	-
Mrs Loren King <sup>(iii)</sup>	40,000	-	-	-	-	40,000	-	-
	159,993	-	-	-	-	159,993	-	-
<b>2018</b>								
Mr David Prentice <sup>(i)</sup>	80,000	-	-	-	-	80,000	-	-
Mr Josh Puckridge <sup>(ii)</sup>	26,662	-	-	-	-	26,662	-	-
Mrs Loren King <sup>(iii)</sup>	40,000	-	-	-	-	40,000	-	-
	146,662	-	-	-	-	146,662	-	-

(i) Director fees for Mr Prentice were paid to Newstead Consulting Pty Ltd, an entity related to Mr Prentice.

(ii) Director fees for Mr Puckridge were paid to Alchemy Capital Pty Ltd, an entity related to Mr Puckridge.

(iii) Director fees for Mrs King were paid to Cicero Corporate Services Pty Ltd, an entity related to Mrs King.

### RELATED PARTY TRANSACTIONS

A monthly fee of \$10,000 (exc. GST) is paid to Cicero Corporate Services Pty Ltd (**CCS**), a company related to Mrs King for corporate administration services including financial reporting, company secretarial services, rent and administrative operations. CCS provided services to the amount of \$120,000 (2018: \$120,000). As at 30 June 2019 no monies remain outstanding (2018: Nil).

### C. DIRECTORS' EQUITY HOLDINGS

(i) Fully paid ordinary shares of Lustrum Minerals Limited:

The following fully paid ordinary shares were held directly, indirectly or beneficially by key management personnel and their related parties during the years ended 30 June 2019 and 30 June 2018:

Directors	Balance at 1 July No.	Granted as remuneration No.	Net other change No.	At date of resignation No.	Balance at 30 June No.
<b>2019</b>					
Mr David Prentice	100,000	-	-	-	100,000
Mr Josh Puckridge	-	-	-	-	-
Mrs Loren King	-	-	-	-	-
	100,000	-	-	-	100,000
<b>2018</b>					
Mr David Prentice	100,000	-	-	-	100,000
Mr Josh Puckridge	-	-	-	-	-
Mrs Loren King	-	-	-	-	-
	100,000	-	-	-	100,000

(ii) Share options of Lustrum Minerals Limited:

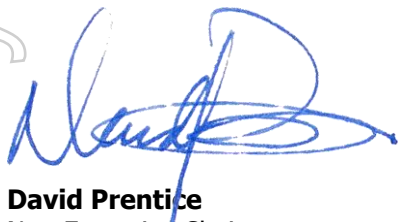
During and since the end of the year, no options were granted to directors or senior management.

## REMUNERATION REPORT (AUDITED)

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This Directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

*For, and on behalf of, the Board of the Company,*



**David Prentice**

Non-Executive Chairman

Perth, Western Australia this 26<sup>th</sup> day of September 2019

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Lustrum Minerals Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



Perth, Western Australia  
26 September 2019

**N G Neill**  
Partner

[hlb.com.au](http://hlb.com.au)

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

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## DIRECTORS' DECLARATION

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The directors declare that the financial statements and notes are in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- (b) As stated in Note 1, the financial statements also comply with International Financial Reporting Standards; and
- (c) Give a true and fair view of the financial position of the Group as at 30 June 2019 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Lustrum Minerals Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declaration required to be made by the Non-Executive Chairman to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

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

*For, and on behalf of, the Board of the Company,*



**David Prentice**

Non-Executive Chairman

Perth, Western Australia this 26<sup>th</sup> day of September 2019

## INDEPENDENT AUDITOR'S REPORT

To the members of Lustrum Minerals Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Lustrum Minerals Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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.

#### *Key audit matters*

We have determined that there are no key audit matters to communicate in our report.

#### *Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's financial report annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

#### **hlb.com.au**

#### **HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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

*Responsibilities of the directors for the financial report*

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

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

*Auditor's responsibilities for the audit of the financial report*

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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.

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

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

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Client Name for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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



**HLB Mann Judd**  
Chartered Accountants

**Perth, Western Australia**  
**26 September 2019**



**N G Neill**  
Partner

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	CONSOLIDATED	
		2019 \$	2018 \$
<b>Continuing operations</b>			
Interest revenue		26,113	8,852
Audit and accounting fees		(31,350)	(40,570)
Corporate compliance costs		(152,610)	(202,545)
Consultants fees		(129,502)	(108,687)
Directors' fees, salaries, superannuation and consulting costs		(159,993)	(146,662)
Insurance expense		(21,479)	(18,112)
Legal fees		(11,421)	(95,241)
Other expenses from ordinary activities	2	(14,621)	(62,395)
Exploration expenditure expensed	14	(127,929)	(2,601,746)
<b>Loss before income tax expense</b>		<b>(622,792)</b>	<b>(3,267,106)</b>
Income tax (benefit)/expense	6	-	-
<b>Loss after tax from continuing operations</b>		<b>(622,792)</b>	<b>(3,267,106)</b>
Other comprehensive income for the year, net of tax			-
<b>Total comprehensive loss net of tax for the period</b>		<b>(622,792)</b>	<b>(3,267,106)</b>
<b>Loss Per Share</b>			
Basic and diluted loss per share (cents)	3	<b>(0.018)</b>	<b>(0.12)</b>

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Note	CONSOLIDATED	
		2019 \$	2018 \$
<b>Current assets</b>			
Cash and cash equivalents	11	2,078,872	3,292,303
Trade and other receivables	9	39,503	155,416
<b>Total current assets</b>		<b>2,118,375</b>	<b>3,447,719</b>
<b>Total assets</b>		<b>2,118,375</b>	<b>3,447,719</b>
<b>Current liabilities</b>			
Trade and other payables	10	76,799	133,150
Total current liabilities		76,799	133,150
<b>Total liabilities</b>		<b>76,799</b>	<b>133,150</b>
<b>Net Assets</b>		<b>2,041,576</b>	<b>3,314,569</b>
<b>Equity</b>			
Issued capital	4	6,140,048	6,790,249
Accumulated losses		(4,098,472)	(3,475,680)
<b>Total equity</b>		<b>2,041,576</b>	<b>3,314,569</b>

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

CONSOLIDATED	Note	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2017</b>		<b>469,303</b>	<b>(208,574)</b>	<b>260,729</b>
Loss for the period		-	(3,267,106)	(3,267,106)
<b>Total comprehensive loss for the period</b>		<b>-</b>	<b>(3,267,106)</b>	<b>(3,267,106)</b>
Shares issued during the period	4	7,000,000	-	7,000,000
Share Buy-Back and cancellation	4	(198,711)	-	(198,711)
Capital raising costs	4	(480,343)	-	(480,343)
<b>Balance as at 30 June 2018</b>		<b>6,790,249</b>	<b>(3,475,680)</b>	<b>3,314,569</b>
<b>Balance at 1 July 2018</b>		<b>6,790,249</b>	<b>(3,475,680)</b>	<b>3,314,569</b>
Loss for the period		-	(622,792)	(622,792)
<b>Total comprehensive loss for the period</b>		<b>-</b>	<b>(622,792)</b>	<b>(622,792)</b>
Share Buy-Back and cancellation	4	(650,201)	-	(650,201)
<b>Balance as at 30 June 2019</b>		<b>6,140,048</b>	<b>(4,098,472)</b>	<b>2,041,576</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

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# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Note	CONSOLIDATED	
		2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(658,343)	(1,131,622)
Interest received		26,113	8,852
<i>Net cash used in operating activities</i>	11	(632,230)	(1,122,770)
<b>Cash flows from investing activities</b>			
Deposits for deferred exploration and evaluation assets		-	(50,000)
Loans received		-	(69,000)
Loan paid	9	69,000	-
<i>Net cash generated/(used) in investing activities</i>		69,000	(119,000)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		-	5,000,000
Payment for capital raising costs		-	(480,343)
Share Buy-Back		(650,201)	(198,711)
<i>Net cash (used in)/generated by financing activities</i>		(650,201)	4,320,946
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,213,431)</b>	<b>3,079,176</b>
Cash and cash equivalents at the beginning of the period		3,292,303	213,127
<b>Cash and cash equivalents at the end of the period</b>	11	<b>2,078,872</b>	<b>3,292,303</b>

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2019

### GENERAL INFORMATION

Lustrum Minerals Limited (the Company and controlled entities) is a for-profit company limited by shares, domiciled and incorporated in Australia. The financial statements are presented in whole Australian dollars.

The nature of operations and principal activities of the Company are described in the Directors' Report.

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Company and its controlled entities (collectively the Group). The financial statements were authorised for issue by the directors on 26 September 2019.

#### 1.1. BASIS OF PREPARATION

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated. The financial statements have been prepared on a historical cost basis.

#### 1.2. STATEMENT OF COMPLIANCE

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) which include Australian equivalents to International Financial Reporting Standards (**AIFRS**). Compliance with AIFRS ensures that the financial statements, and notes thereto comply with International Financial Reporting Standards (**IFRS**).

Australian Accounting Board Standards (**AASBs**) 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 to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

#### 1.3. FINANCIAL POSITION

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

For the financial year ended 30 June 2019, the Company incurred a net loss after tax of \$622,792 (2018: \$3,267,106), and a net cash outflow from operations of \$632,230 (2018: \$1,122,770). At 30 June 2019, the Company's has net current assets of \$2,041,576 (2018: \$3,447,719) and net equity of \$2,041,576 (2018: \$3,314,569).

The Directors consider the going concern basis of preparation to be appropriate based on the current cash reserves showing to provide sufficient working capital to fund its contracted obligations for the period ending 12 months from the date of this report.

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2019

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### 1.4. ADOPTION OF NEW AND REVISED STANDARDS

#### 1.4.1. Changes in accounting policies on initial application of Accounting Standards

##### Standards and interpretations applicable to 30 June 2019

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for the current financial reporting period.

It has been determined by the Directors that there is no material impact of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

##### Standards and interpretations on issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2019. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

### 1.5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### 1.5.1. Share-based payment transactions

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

### 1.6. PRINCIPLES OF CONSOLIDATION

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

#### 1.6.1. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## 1.6.2. Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## 1.6.3. Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

## 1.7. INCOME TAX

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date or reporting date.

Deferred tax is accounted for in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is credited to profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## 1.8. IMPAIRMENT OF ASSETS

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## 1.9. PROVISIONS

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

## 1.10. CASH AND CASH EQUIVALENTS

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

## 1.11. REVENUE RECOGNITION

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

## 1.12. 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.

## 1.13. ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

## 1.14. BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## 1.15. EXPLORATION AND EVALUATION COSTS

Mineral exploration and evaluation costs are expensed as incurred. Acquisition costs will normally be expensed but will be assessed on a case by case basis and if appropriate may be capitalised. These acquisition costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the tenement. Accumulated acquisition costs in relation to an abandoned tenement are written off in full against the profit and loss in the year which the decision to abandon the tenant is made

Where a decision has been made to proceed with development in respect of a particular area of interest, all future costs are recorded as a development asset.

## 1.16. EMPLOYEE ENTITLEMENTS

### 1.16.1. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

### 1.16.2. Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Based on the Company's experience of employee departures, a long service leave liability is only recognised once an employee has been employed by the Company for a period of 5 years. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

## 1.17. SHARE-BASED PAYMENT TRANSACTIONS

### 1.17.1. Equity settled transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Lustrum Minerals Limited (market conditions) if applicable.

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

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 30 June 2019

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

- a) the extent to which the vesting period has expired, and
- b) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit and loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

### 1.18. TRADE AND OTHER RECEIVABLES

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit and loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit and loss and other comprehensive income.

### 1.19. TRADE AND OTHER PAYABLES

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

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

### 2. EXPENSES

#### 2.1. OTHER EXPENSES

	Consolidated	
	2019	2018
	\$	\$
Finance costs	(360)	(424)
Other expenses from ordinary activities	(14,261)	(61,971)
	<u>(14,621)</u>	<u>(62,395)</u>

### 3. LOSS PER SHARE

#### 3.1. BASIC LOSS PER SHARE

	Consolidated	
	2019	2018
	Cents	Cents
	Per Share	Per Share
From continuing operations	(0.018)	(0.12)
Total basic loss per share	<u>(0.018)</u>	<u>(0.12)</u>

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Consolidated	
	2019	2018
	\$	\$
Loss used in calculation of basic equity per share	<u>(622,792)</u>	<u>(3,267,106)</u>

	No.	No.
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>34,638,580</u>	<u>26,687,320</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

## 4. ISSUED CAPITAL

	Consolidated	
	2019 No.	2018 No.
Fully paid ordinary shares	33,851,450	38,550,001

### 4.1. FULLY PAID ORDINARY SHARES

	Consolidated			
	2019		2018	
	No.	\$	No.	\$
Balance on incorporation	38,550,001	6,790,249	5,000,001	469,303
Shares issued	-	-	35,000,000	7,000,000
Share Buy-Back and Cancellation <sup>(i)</sup>	(4,698,551)	(650,201)	(1,450,000)	(198,711)
Share issue costs	-	-	-	(480,343)
Balance at end of the year	33,851,450	6,140,048	38,550,001	6,790,249

(i) The Company has embarked on a share buy-back to buy back up to 10,000,000 of its own shares (Buy-Back). The Company closed the Buy-Back on 19 August 2019 having acquired 6,148,551 of its own shares for a total of \$848,913. Please consult the relevant appendices lodged with ASX for further information.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### 4.2. PERFORMANCE SHARES

	Consolidated	
	2019 No.	2018 No.
Class A Performance Shares <sup>(i)</sup>	15,000,000	15,000,000
Class C Performance Shares <sup>(ii)</sup>	15,000,000	15,000,000

No value has been ascribed to the deferred consideration as the Company has not yet reached a stage where it can reliably estimate the likelihood of the milestones being achieved. Refer to Note 14 for further details.

(i) A Class A Performance Share in the relevant class will convert into one Share upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 50 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.

(ii) A Class C Performance Share in the relevant class will convert into one Share upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 150 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

## 5. FINANCIAL INSTRUMENTS

### 5.1. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company's overall strategy remains unchanged during the financial period.

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. None of the Company's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

### 5.2. CATEGORIES OF FINANCIAL INSTRUMENTS

#### 5.2.1. FINANCIAL ASSETS

	Weighted Average Interest Rate %	2019 \$
Cash and cash equivalents	1.79%	2,078,872
Trade and other receivables	-	39,503

	Weighted Average Interest Rate %	2018 \$
Cash and cash equivalents	1.79%	3,292,303
Trade and other receivables	-	155,416
Loans to other parties	20%	69,000

#### 5.2.2. FINANCIAL LIABILITIES

	Weighted Average Interest Rate %	2019 \$
Trade creditors	-	(61,799)
Accruals	-	(15,000)

	Weighted Average Interest Rate %	2018 \$
Trade creditors	-	(118,150)
Accruals	-	(15,000)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## 5.2.3. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company is exposed to market risk (including fair value interest rate risk and liquidity risk). The use of financial derivatives is governed by the Company's policies approved by the board of Directors, which provide written principles on interest rate risk, non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

## 5.2.4. INTEREST RATE RISK MANAGEMENT

The Company is exposed to interest rate risk as it has cash at both fixed and floating interest rates. The Company's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analysis above has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at balance date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period.

A 10-basis point increase is used when reporting interest rate risk internally to management and represents management's assessment of the change in interest rates.

At balance date, if interest rates have been 10 basis points higher or lower and all other variables were held constant, the Company's:

- (i) Profit or loss would increase by \$20,789 (2018: \$32,923); and
- (ii) Equity would decrease by \$20,416 (2018: \$8,852).

## 5.2.5. LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

## 5.3. FAIR VALUE MEASUREMENT

The Directors consider that the carrying amount of other financial assets and liabilities recognised in the consolidated financial statements approximate their fair value.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

## 6. INCOME TAX

### (a) Income tax expense/benefit

	Consolidated	
	2019	2018
	\$	\$
<i>Income tax expense/(benefit):</i>		
Current tax (benefit)/expense	-	-
Deferred tax expense/(benefit)	-	-
<i>Deferred income tax expense included in income tax expense comprises:</i>		
Decrease/(increase) in deferred tax assets	-	-
(Decrease)/increase in deferred tax liabilities	-	-

### (b) Reconciliation of income tax expense to prima facie tax payable

The prima facie tax payable on losses from ordinary activities before income tax is reconciled to the income tax expense as follows:

Loss from continuing operations before income tax expense	(622,792)	(3,267,106)
Australian tax rate	30%	30%
Tax amount at the Australian tax rate	(186,838)	(980,132)
<i>Add / (Less) Tax effect of:</i>		
Effect of current year temporary differences	(39,896)	621,131
Non-deductible expenses	2,497	-
Deferred tax asset not brought to account	224,237	359,001
Total income tax expense/(benefit)	-	-

### (c) Deferred tax assets

Capital Raising Costs	164,496	200,751
Acquisition costs/other	604,500	604,500
Tax Losses	594,506	370,269
Total deferred tax assets	1,363,502	1,175,520

*Set-off deferred tax liabilities pursuant to set-off provisions:*

Less deferred tax assets not recognised	(5,762)	(389)
Net deferred tax assets	1,357,740	1,175,131

### (d) Deferred tax liabilities

Net tax liabilities	5,762	389
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### (e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	1,981,686	1,234,231
Potential tax benefit @ 30% (2018: 30%)	594,506	370,269

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

The benefit for tax losses will only be obtained if:

- (i) The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) The Company continues to comply with the conditions for deductibility imposed by law; and
- (iii) No changes in tax legislation adversely affect the ability of the Company and consolidated entity to realise these benefits.

## 7. REMUNERATION OF AUDITORS

	Consolidated	
	2019 \$	2018 \$
Audit and review of financial reports	28,560	27,370
Non-audit services <sup>(i)</sup>	-	12,000
	<u>28,560</u>	<u>39,370</u>

(i) \$12,000 was paid for the preparation of the Investigating Accountant's Report for inclusion in the Company's prospectus.

## 8. KEY MANAGEMENT PERSONNEL DISCLOSURES

### 8.1. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to key management personnel of the Company is set out below:

	Consolidated	
	2019 \$	2018 \$
Short-term employee benefits	159,993	146,662
	<u>159,993</u>	<u>146,662</u>

The compensation of each member of the key management personnel of the Company is set out in the Directors' Remuneration report on page 10.

## 9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019 \$	2018 \$
<i>Current</i>		
Other debtors	39,503	36,415
Exploration and evaluation expenditure <sup>(i)</sup>	-	50,000
Loans to other parties <sup>(ii)</sup>	-	69,000
	<u>39,503</u>	<u>155,416</u>

(i) Refundable deposit to secure three-month exclusivity on a prospective coal opportunity that has subsequently been written off.

(ii) The loan was on a 120-day term with 20% interest payable.

Trade receivables are non-interest bearing and generally on terms of 14-60 days. No provision for impairment at year end is considered necessary.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

### 10. TRADE AND OTHER PAYABLES

	Consolidated	
	2019	2018
	\$	\$
<i>Current</i>		
Trade Creditors	(61,799)	(118,150)
Accrued Expenses	(15,000)	(15,000)
	<u>(76,799)</u>	<u>(133,150)</u>

Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

### 11. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	Consolidated	
	2019	2018
	\$	\$
Cash and cash equivalents	2,078,872	3,292,303

#### 11.1. RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Loss for the year	(622,792)	(3,267,106)
<i>Add/less:</i>		
Shares issued for acquisition costs	-	2,000,000
Deposit written off	50,000	-
Items transferred from operating to investing activities	-	69,000
	<u>-</u>	<u>69,000</u>
<i>Movements in working capital</i>		
Increase in trade and other receivables	(3,088)	(45,470)
(Decrease)/increase in trade and other payables	(56,350)	120,806
Net cash used in operating activities	<u>(632,230)</u>	<u>(1,122,770)</u>

#### 11.2. NON-CASH TRANSACTIONS

In the prior year, the Group did not enter into any non-cash financing activities as reflected in the consolidated statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

## 12. COMMITMENTS AND CONTINGENT LIABILITIES

### 12.1. TENEMENT RELATED COMMITMENTS

The Company is required to meet minimum committed expenditure requirements to maintain current rights of tenure to exploration licences. These obligations may be subject to re-negotiation, may be farmed-out or may be relinquished and have not been provided for in the statement of financial position. A summary of aggregate commitments is as follows:

Consolidated	
2019	2018
\$	\$
650,000	75,000
425,000	300,000
-	1,225,000
<u>1,075,000</u>	<u>1,600,000</u>

Within one year  
After one year but not more than five years  
More than five years

### 12.2. CONTINGENT LIABILITIES

No contingent liabilities exist as at the date of this report.

## 13. RELATED PARTIES TRANSACTIONS

The Company has an agreement with Cicero Corporate Services Pty Ltd (**CCS**), of which Mrs Loren King is a director and shareholder, (**Corporate Services Agreement**). Pursuant to the Corporate Services Agreement, CCS was appointed to provide corporate and administrative services to the Company. The fee payable by the Company to CCS in consideration for performing the services under the Corporate Services Agreement is A\$120,000 per annum.

The Company has not sought Shareholder approval for the execution of the proposal despite CCS being a related party of the Company on the basis that the Proposal has been negotiated at arm's length and contains standards commercial terms and therefore falls within the exception on section 210 of the Corporations Act.

## 14. ACQUISITION OF CONSUELO ASSETS

### 14.1. SHARE SALE AGREEMENT WITH CONSUELO COAL HOLDINGS PTY LIMITED

On the 26<sup>th</sup> of September 2017 the Company acquired 100% of CCPL's shares in consideration for \$2,000,000 in consideration consisting of 10,000,000 Shares at \$0.20 per share and 30,000,000 performance shares consisting of; 15,000,000 Class A performance shares, and 15,000,000 Class C performance shares (together, the **Consideration**) and deferred consideration.

The performance shares detailed in the Consideration convert into one (1) fully paid ordinary share in the Company and one (1) new performance share for every one (1) of the initial Class A And Class C performance share that are triggered to convert.

Class A performance shares convert on the Project generating an indicated mineral resource (JORC 2012) of not less than 50 million tonnes of Coal before 30 June 2021 (**Class A Performance Shares**).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

Class C performance shares convert on the Project generating an indicated mineral resource (JORC 2012) of not less than 150 million tonnes of Coal before 30 June 2021 (**Class C Performance Shares**). Should the Class A Performance Shares convert, the holders will receive one (1) Share and one (1) new class B performance share for every one (1) Class A Performance Share successfully converted. Should the Class C Performance Shares convert, the holders will receive one (1) Share and one (1) new class B performance share for every one (1) Class D Performance Share successfully converted.

Class B Performance Shares convert into ordinary Shares on a one for one (1:1) basis on the Project generating an indicated mineral resource (JORC 2012) of not less than 100 million tonnes of Coal before 30 June 2021 (**Class B Performance Shares**). Class D Performance Shares convert into ordinary Shares on a one for one (1:1) basis on the Project generating an indicated mineral resource (JORC 2012) of not less than 300 million tonnes of Coal before 30 June 2021 (**Class D Performance Shares**).

## 14.2. DEFERRED CONSIDERATION

The consideration comprised an issue of equity instruments, performance shares and deferred consideration:

	TOTAL SHARES NO.	COST PER SHARE \$	TOTAL COST \$
Issued Capital	10,000,000	\$0.20	2,000,000
<b>Performance Shares</b>			
Class A Performance shares <sup>(i)</sup>	15,000,000		-
Class C Performance shares <sup>(ii)</sup>	15,000,000		-
Issue of deferred consideration (shares) as part consideration for acquisition of Consuelo <sup>(iii)(iv)</sup>	30,000,000		-
Total consideration			2,000,000
Direct costs relating to the acquisition			-
<b>Assets Acquisition accounting is as follows</b>			
Exploration and Evaluation asset on acquisition <sup>(v)</sup>			2,000,000
Total consideration			2,000,000

No value has been ascribed to the deferred consideration as the Company has not yet reached a stage where it can reliability estimate the likelihood of the milestones being achieved.

<sup>(i)</sup> A Class A Performance Share in the relevant class will convert into one Share upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 500 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.

<sup>(ii)</sup> A Class C Performance Share in the relevant class will convert into one Share upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 150 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.

<sup>(iii)</sup> 15,000,000 shares upon the delineation of an "indicated mineral resource" of (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 100 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021; and

<sup>(iv)</sup> 15,000,000 Shares upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 300 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.

<sup>(v)</sup> Mineral exploration and evaluation costs are expensed as incurred. Acquisition costs will normally be expensed but will be assessed on a case by case basis and if appropriate may be capitalised. These acquisition costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the tenement. Accumulated acquisition costs in relation to an abandoned tenement are written off in full against the profit and loss in the year which the decision to abandon the tenant is made. Where a decision has been made to proceed with development in respect of a particular area of interest, all future costs are recorded as a development asset.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

## 15. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.6.1. Details of subsidiary companies are as follows:

Entity	Incorporation	2019 Ownership	2018 Ownership
CONSUELO COAL HOLDINGS PTY LTD	Australia	100%	100%
CFR CONSUELO PTY LTD	Australia	100%	100%
ICX CONSUELO PTY LTD	Australia	100%	100%
CFR CONSUELO 2318 PTY LTD	Australia	100%	100%
ICX CONSUELO 2318 PTY LTD	Australia	100%	100%
CONSUELO COAL EPC 2327 PTY LTD	Australia	100%	100%

## 16. SEGMENT REPORTING

The Company has identified one reportable segment based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources.

The revenues and results of this segment are those of the Company and are set out in the statement of comprehensive income and the assets and liabilities of the Company are set out in the statement of financial position. The Board reviews financial information on the same basis as presented in the financial statements and has therefore determined the operating segment on this basis.

## 17. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of the significant accounting policies relating to the Group.

	2019 \$	2018 \$
<b>Current assets</b>		
Cash and cash equivalents	2,078,872	3,292,303
Trade and other receivables	39,503	155,416
Total current assets	2,118,375	3,447,719
<b>Total assets</b>	<b>2,118,375</b>	<b>3,292,303</b>
<b>Current liabilities</b>		
Trade and other payables	76,799	133,150
Borrowings	-	-
Total current liabilities	76,799	133,150
<b>Total liabilities</b>	<b>76,799</b>	<b>133,150</b>
<b>Net Assets</b>	<b>2,041,576</b>	<b>3,314,569</b>
<b>Equity</b>		
Issued capital	6,140,048	4,790,249
Accumulated losses	(4,098,472)	(1,475,680)
<b>Total equity</b>	<b>2,041,576</b>	<b>3,314,569</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

## 17.1. PARENT ENTITY COMMITMENTS

	Corporate Fees
Agreement Start date	1/01/2018
Expiry date	1/01/2019
Monthly amount	10,000
Agreement notice period	3 months
Within 12 months to June 2019	30,000
Within 2 <5 years	-
Total	30,000

## 17.2. CONTINGENT LIABILITIES

No contingent liabilities exist as at the date of this report.

## 18. SUBSEQUENT EVENTS

The Company's securities were voluntarily suspended from trading on ASX on 30 August 2019 pending the resolution of queries issued by ASX in relation to certain transactions that occurred in the year ending 30 June 2019, and as at the date of this report they remain in suspension. The Company is not able to provide an estimate of the financial effect (if any) of these matters.

There were no other events subsequent to the reporting date that required disclosure.

## ADDITIONAL SHAREHOLDERS' INFORMATION

As at 26 September 2019, the Company's issued capital was as follows:

### ORDINARY FULLY PAID SHARES (ASX: LRM)

At the date of this report there are 33,851,450 Ordinary fully paid shares in the Company.

	<b>Number of Ordinary Shares</b>
Balance at the beginning of the year	38,550,001
Movements of shares during the year and to the date of this report	(4,698,551)
Total number of shares at the date of this report	<u>33,851,450</u>

### SHARES UNDER OPTION

At the date of this report there are no unissued ordinary shares in respect of which options are outstanding.

### PERFORMANCE SHARES

At the date of this report there are 30,000,000 performance shares in the Company.

	<b>Number of Performance Shares</b>
Balance at the beginning of the year	30,000,000
Movements of performance shares during the year and to the date of this report	-
Total number of shares at the date of this report	<u>30,000,000</u>

### RANGE OF SHARES

Range	Total Holders	Units	% Issued Capital
1 - 1,000	6	488	0.00%
1,001 - 5,000	10	34,673	0.10%
5,001 - 10,000	20	183,012	0.54%
10,001 - 100,000	121	6,368,494	18.81%
100,001 - > 100,001	42	27,264,783	80.54%
<b>Total</b>	<b>199</b>	<b>33,851,450</b>	<b>100.00%</b>

### UNMARKETABLE PARCELS

\$500.00 parcel at \$0.045 per unit	Minimum parcel size	Holders	Units
	11,112	37	229,273



## ADDITIONAL SHAREHOLDERS' INFORMATION

### TOP 20 HOLDERS OF ORDINARY SHARES AS AT 26 SEPTEMBER 2019

#	HOLDER NAME	Units	%
1	KONTRARIAN RESOURCE FUND NO 1 PTY LTD	10,000,000	29.54%
2	CORIZON LIMITED	1,975,000	5.83%
3	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	1,968,073	5.81%
4	MIAL ENTERPRISES PTY LTD <DASHIAN FAMILY A/C>	1,400,051	4.14%
5	SIXTH ERRA PTY LTD	1,035,000	3.06%
6	MR OWEN JOHN CLARE & MRS ROSALIND MARY CLARE <CLARE SUPER FUND A/C>	1,022,500	3.02%
7	STATION NOMINEES PTY LTD <STATION SUPER FUND A/C>	1,008,842	2.98%
8	AVANTEOS INVESTMENTS LIMITED <WARCZAK SUPER FUND A/C>	1,000,000	2.95%
9	CHUA & KIANG PTY LIMITED	500,000	1.48%
10	CAPRETTI INVESTMENTS PTY LTD <CASTELLO A/C>	500,000	1.48%
11	ZERO NOMINEES PTY LTD	450,000	1.33%
12	ACN 161 604 315 PTY LTD	425,000	1.26%
13	SOLEQUEST PTY LTD	350,000	1.03%
14	MR STEPHEN BRIAN CREWES & MRS SARAH LOUISE CREWES <S & S CREWES FAMILY S/F A/C>	325,000	0.96%
15	MR ROHAN CHARLES EDMONDSON & MRS FIONNUALA CATHERINE EDMONDSON <R F EDMONDSON SUPERFUND A/C>	300,000	0.89%
16	PAC PARTNERS SECURITIES PTY LTD	300,000	0.89%
17	MR OWEN JOHN CLARE	300,000	0.89%
18	KABILA INVESTMENTS PTY LTD	269,316	0.80%
19	OVERLAND CORNER WEST PTY LTD <DEVAUX FAMILY A/C>	265,000	0.78%
20	MR IAN ALISTAIR LEETE & MRS HELEN LEETE <THE LEETE FAMILY S/F A/C>	250,000	0.74%
<b>Total of Top 20 Holders of Ordinary Shares (LRM)</b>		<b>23,643,782</b>	<b>69.85%</b>