



ABN 20 075 877 075

## **ANNUAL REPORT FOR YEAR ENDED 30 JUNE 2017**

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## CORPORATE DIRECTORY

<b>Directors</b>	Anthony Chan (Chairman) Nick Bolkus (Deputy Chairman) George Lam Daniel Chan Ronald Marks William Ko
<b>Executives</b>	Andrew Fogg (Chief Executive Officer) Bruce Patrick (Chief Operating Officer)
<b>Company Secretary</b>	Leni Stanley
<b>Registered office</b>	Level 16, 344 Queen Street Brisbane QLD 4000 (07) 3229 6606
<b>Share register</b>	Link Market Services Limited Level 19, 324 Queen Street Brisbane QLD 4000 (02) 8280 7454
<b>Auditor</b>	RSM Australia Partners Level 2, 370 Queen Street Brisbane QLD 4000 (07) 3225 7800
<b>Bankers</b>	Westpac Banking Corporation 388 Queen Eagle Street Brisbane QLD 4000
<b>Stock exchange listing</b>	AustChina Holdings Limited shares are listed on the Australian Securities Exchange – using the stock code 'AUH'.
<b>Website address</b>	<a href="http://www.austchinaholdings.com">www.austchinaholdings.com</a>

## COMPETENT PERSON'S STATEMENT

The information in this Annual Report that relates to the Resources Statement for AustChina Holdings' Blackall Coal Project has been based on information compiled by Mr. Rowan Johnson who is a member of the Australasian Institute of Mining and Metallurgy and is a senior geologist employed by McElroy Bryan Geological Services Pty Ltd (MBGS).

Mr. Johnson has more than 30 years' experience as a geologist in the resources industry and more than 15 years in the estimation of coal resources for coal projects and coal mines in Australia and overseas. This expertise has been acquired principally through exploration and evaluation assignments at operating coal mines and for exploration areas in Australia's major coal basins and in other coal basins overseas. This experience is more than adequate to qualify him as a Competent Person for the purpose of Resource Reporting as defined in the 2012 edition of the JORC Code. Mr. Johnson consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

## **The Chairman's Report**

***On behalf of the AustChina Board I am pleased to introduce the Company's 2017 Annual Report.***

On 7 August 2017 the company changed its name to AustChina Holdings Limited. The change of name was proposed so that the Company's name better reflects its strategy to not only continue its investment in the resources and energy sectors, but also to build a platform to allow for investment in a wider range of quality investment opportunities. China's push to rejuvenate the "One Belt, One Road" trade route westwards also provides impetus for companies like AustChina to seek opportunities that might arise from that initiative.

The board continues to monitor the continued progress of approvals for and final commitment to planned mine and infrastructure developments in the Galilee Basin. Prospects for future development of AustChina's 1.3 billion tonne thermal coal Inferred Coal Resource at the Blackall Coal Project will be improved should rail infrastructure be improved in the region. The Blackall Coal Project remains a medium term development option.

The Board and Executive team continued to focus on potential new opportunities for the Company.

We welcome our new Joint Venture partner, Eastern Gas Holdings Pty Ltd (Eastern Gas). On 10 November 2016 our subsidiary Surat Gas Pty Ltd (Surat Gas) executed a Memorandum of Understanding with Eastern Gas under which Eastern Gas has now earned a 50% interest in each of the company's three Authorities to Prospect for Petroleum (ATPs) in Queensland.<sup>1</sup> The transfer of the 50% interest in the three ATPs to Eastern Gas is in progress. Eastern Gas will be the operator of the Joint Venture. Eastern Gas has commenced to reprocess key seismic data across the ATPs with the objective of identifying potential targets for field exploration.

The board was pleased to see the progress of the company's investment in the biogas renewable energy sector with the Utilitas Group Pty Ltd (25.72% AustChina) moving its first three bioHub projects in Australia towards financial close. The first of these, at Casino in Northern New South Wales, is targeted to service the energy needs of its nearby industries and community. DomaCom, via the DomaCom Fund, and Utilitas, a bioHub developer, is launching Australia's first crowd-funding campaign to secure a site in Casino, northern NSW and develop a bioHub.<sup>2</sup>

The board was also pleased at the announcement by Premier Anastacia Palaszczuk supporting Utilitas' \$18 million Bundaberg biorefinery project as one of the biofutures projects under the Palaszczuk Government's \$4 million Biofutures Acceleration Programme.<sup>3</sup>

On behalf of the Board, I thank existing shareholders for your continued support and welcome new shareholders to the Company.

I also take this opportunity to thank the Board of Directors for their contribution to the company during the year.

**Anthony Chan**  
**Chairman**

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<sup>1</sup> ASX announcement: Coalbank signs MOU with Eastern Gas Holdings Pty Ltd, 10 November 2016

<sup>2</sup> domacom.com.au, 14/9/2017

<sup>3</sup> Media release: "Bundy biorefinery generates jobs, green energy" - The Honourable Anastacia Palaszczuk (Premier and Minister for the Arts) and The Honourable Dr Anthony Lynham (Minister for Natural Resources and Mines) 13 September 2017.

## CEO'S REPORT AND OPERATIONAL REVIEW

### Tenement Update

As at 30 June 2017 AustChina held three current exploration permits for coal along with three petroleum and gas permits. A schedule of the Exploration Permits held is provided in Table 1.

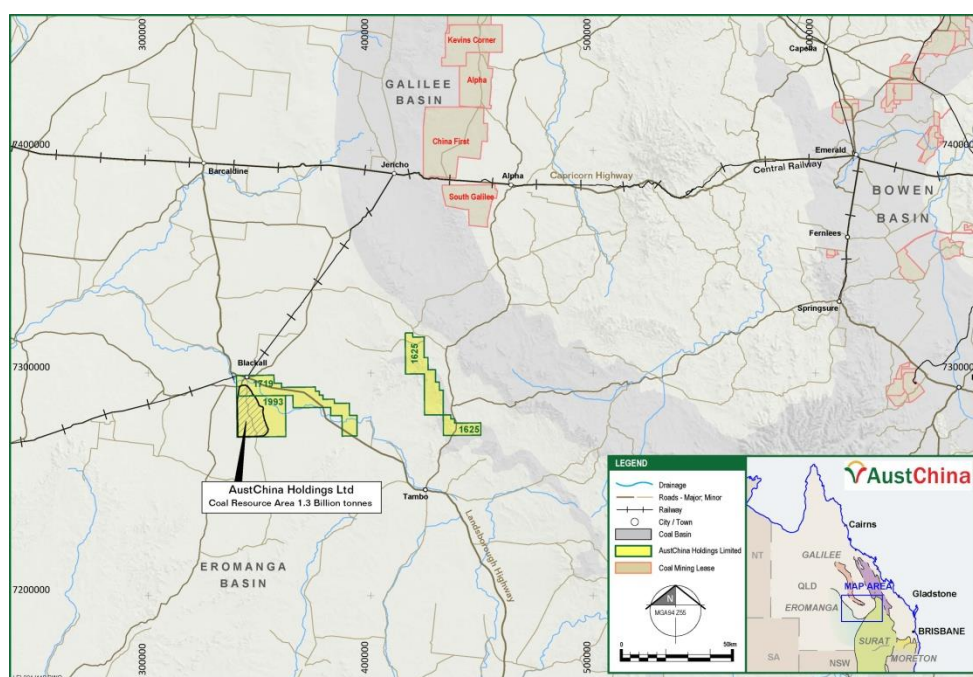
AUSTCHINA HOLDINGS LIMITED: TENEMENT SCHEDULE				
TENEMENT	PROJECT NAME	OWNERSHIP %	DATE GRANTED	EXPIRY DATE
EPC 1625	ALPHA SOUTH WEST 2	100	29/04/2010	28/04/2020
EPC 1719	BARCOO RIVER-BLACKALL RAIL	100	28/07/2010	27/07/2020
EPC 1993	BLACKALL SOUTH CORNER	100	17/03/2010	16/03/2019
ATP1072	CHARLEVILLE SOUTH	50	1/02/2013	31/01/2019
ATP1095	AUGATHELLA EAST	50	1/06/2014	31/05/2019
ATP1098	MORVEN SOUTH	50	1/06/2014	31/05/2019

**Table 1: AustChina Holdings Limited Tenement Portfolio at 30<sup>th</sup> June 2017.**

### AustChina's Coal Project

AustChina's coal exploration footprint is shown in Figure 1.

During the 2016-2017 financial year AustChina further reduced its tenure holdings in light of the current economic and investment climate. EPCs 1418 and 1632 were surrendered, largely in lieu of required relinquishments of sub-blocks from EPCs 1719 and 1993 which cover AustChina's Blackall Coal Project. The EPCs are all in a single project-based administration area approved by the Department of Natural Resources and Mines.



**Figure 1: AustChina Coal Exploration Portfolio in Queensland at 30<sup>th</sup> June 2017.**

The reduction in tenure holdings will reduce operational expenditure through containment of permit holding and exploration costs.

No new exploration drilling was undertaken in the year.

The thermal coal outlook in south-east Asia has improved, with increasing demand for power being addressed largely through the construction of latest technology coal-fired power stations in a number of countries.

Whilst further progress has been made in the likelihood of mine development in the Galilee Basin, final commitment and approvals are awaited from the proponents. Rail infrastructure for Galilee Basin mines would reduce infrastructure costs for potential development prospects of the Blackall Coal Project in the future.

## Review of Mineral Resources and Reserves 2017

AustChina has reviewed its mineral resource statements during the year. There has been no material change in status and there is no change to the coal resource previously announced and presented here in Table 2.

The company's sole Mineral Resource relates to its Blackall Coal Project where an Inferred Resource of 1.3 billion tonnes of thermal coal has been reported in accordance with the JORC Code (Table 2).<sup>4</sup>

**Table 2: Summary of Coal Resources (EPC1719 and EPC1993)**

Tenement	Block Name	Seam Name	Block Area (km <sup>2</sup> )	Coal Area (km <sup>2</sup> )	Coal Thickness (m)	In Situ Density (g/cc) <sup>(1)</sup>	Raw Ash (%) <sup>(2)</sup>	Specific Energy (kcal/kg) (a.d.) <sup>(3)</sup>	Specific Energy (kcal/kg) <sup>(2)</sup>	Total Sulphur (%) <sup>(2)</sup>	Inferred Resources (Mt)			
											Subcrop-50m	50-100m	100-150m	Total
EPC1719	F_INF1	F	7.70	6.37	1.2	1.56	35	3090	2640	0.53	10	1	-	11
	E_INF1	E	12.23	5.50	2.1	1.42	18	4480	3940	0.37	15	16	-	31
	D_INF1	D	15.33	7.70	2.2	1.39	14	4800	4250	0.48	16	27	-	43
	C_INF1	C	12.73	5.75	0.6	1.39	15	4880	4180	0.42	1	5	-	6
	B_INF1	B	22.48	8.04	0.7	1.43	20	4500	3810	1.21	4	11	2	17
									<b>Total for EPC1719</b>		<b>46</b>	<b>60</b>	<b>2</b>	<b>108</b>
EPC1993	F_INF2	F	6.17	3.45	1.4	1.50	29	3620	3120	0.50	7	1	-	8
	F_INF3	F	1.95	1.73	1.6	1.55	23	3190	2770	0.84	4	-	-	4
	F_INF4	F	23.89	20.45	1.0	1.46	24	4060	3500	0.55	27	-	-	27
	F_INF5	F	3.50	2.29	0.5	1.48	26	3890	3350	0.56	2	-	-	2
	E_INF2	E	76.10	53.59	3.0	1.41	17	4450	4020	0.37	242	25	-	267
	E_INF3	E	14.68	6.99	1.7	1.42	18	4260	3920	0.37	14	1	-	15
	D_INF2	D	151.01	72.42	2.6	1.42	19	4330	3890	0.63	309	107	-	416
	C_INF2	C	159.66	59.97	1.4	1.41	18	4410	3950	0.41	128	100	1	229
	B_INF2	B	173.57	75.11	1.1	1.43	20	4280	3810	1.31	36	114	9	159
	A_INF1	A	56.07	17.67	1.0	1.38 <sup>(4)</sup>	14 <sup>(5)</sup>	4790	4290	-	10	17	30	57
									<b>Total for EPC1993</b>		<b>779</b>	<b>365</b>	<b>40</b>	<b>1184</b>
									<b>Total for EPC1719 &amp; EPC1993</b>				<b>1292</b>	
									<b>Total for EPC1719 &amp; EPC1993 (Rounded)</b>				<b>1300</b>	

- Notes: 1 In Situ Density generated from Ash regression at 25% moisture basis  
2 Raw coal quality parameters reported at In Situ Moisture basis (25%)  
3 Specific Energy reported at air dried basis  
4 Default In Situ Density generated from available laboratory data  
5 Default Raw Ash generated from default In Situ Density and ash/density regression

This information was prepared and first disclosed under the JORC Code 2004. It has since been updated to comply with the JORC Code 2012 although the resource information has not materially changed since it was last reported.

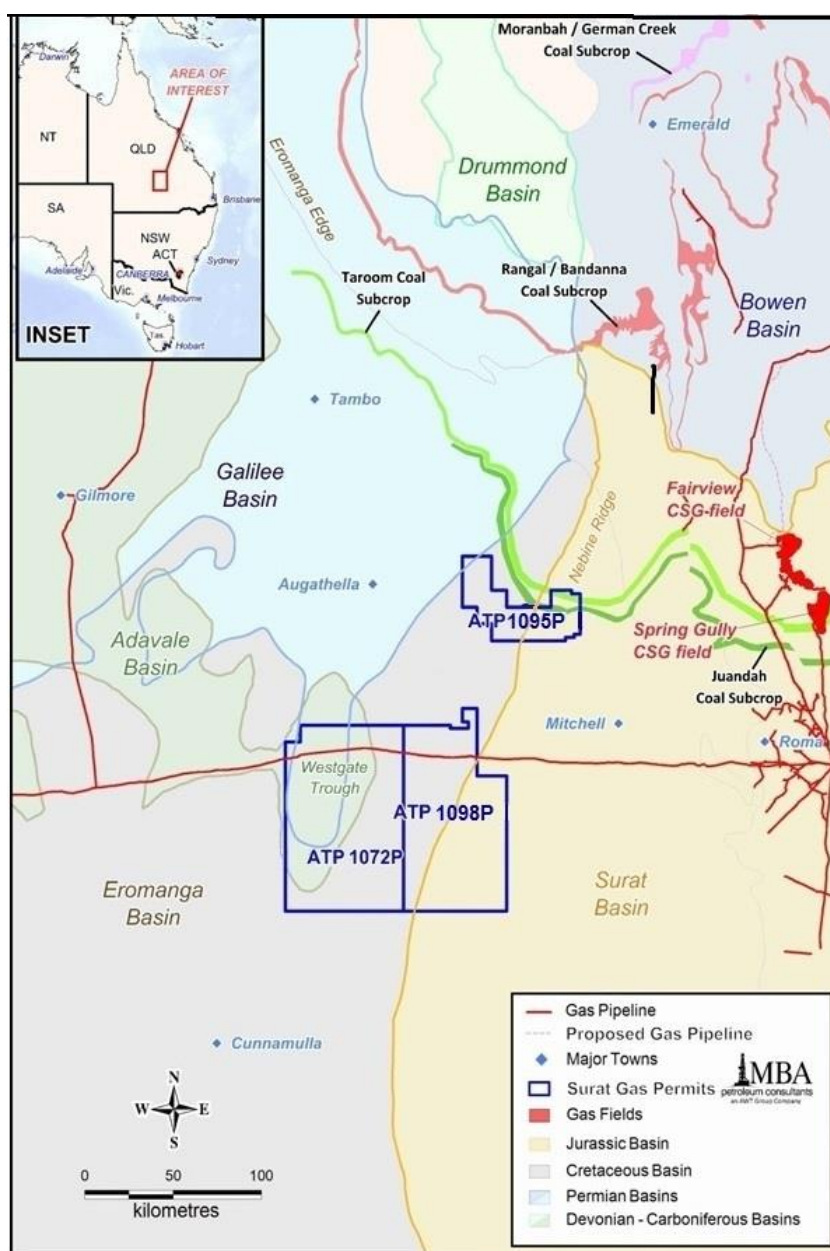
There are no Mineral Reserves pertaining to the company's tenements.

<sup>4</sup> Coalbank ASX Release 20 June 2012: "Maiden Resource – 1.3 Billion Tonnes".

## Authorities to Prospect for Petroleum and Gas

Surat Gas Pty Ltd (Surat Gas), a 100% subsidiary of AustChina Holdings Limited, currently holds interests in three granted Authorities to Prospect (ATPs) for petroleum and gas in Southern-Central Queensland (Figure 2). ATP 1072 was granted in early 2013, and ATPs 1095 and 1098 were granted in June 2015. In May 2016 the term, work program and relinquishment conditions for ATP 1072 were extended by two years under special statutory extensions under sections 63C and 63E of the *Petroleum and Gas (Production and Safety) Act 2004*.

On 10 November 2016 Surat Gas executed a Memorandum of Understanding with Eastern Gas Holdings Pty Ltd (Eastern Gas) under which Eastern Gas had the ability to earn a 50% interest in each of the three ATPs held by Surat Gas in return for conducting exploration activities.<sup>5</sup> On 7 March 2017 these conditions were met. The transfer of the 50% interest in the three ATPs to Eastern Gas is in progress. Eastern Gas will be the operator of the Joint Venture, and will be responsible for the first \$650,000 in exploration costs.



**Figure 2: Surat Gas Authorities to Prospect for Petroleum and Gas**

<sup>5</sup> ASX Announcement: Coalbank signs MOU with Eastern Gas Holdings Pty Ltd, 10 November 2016



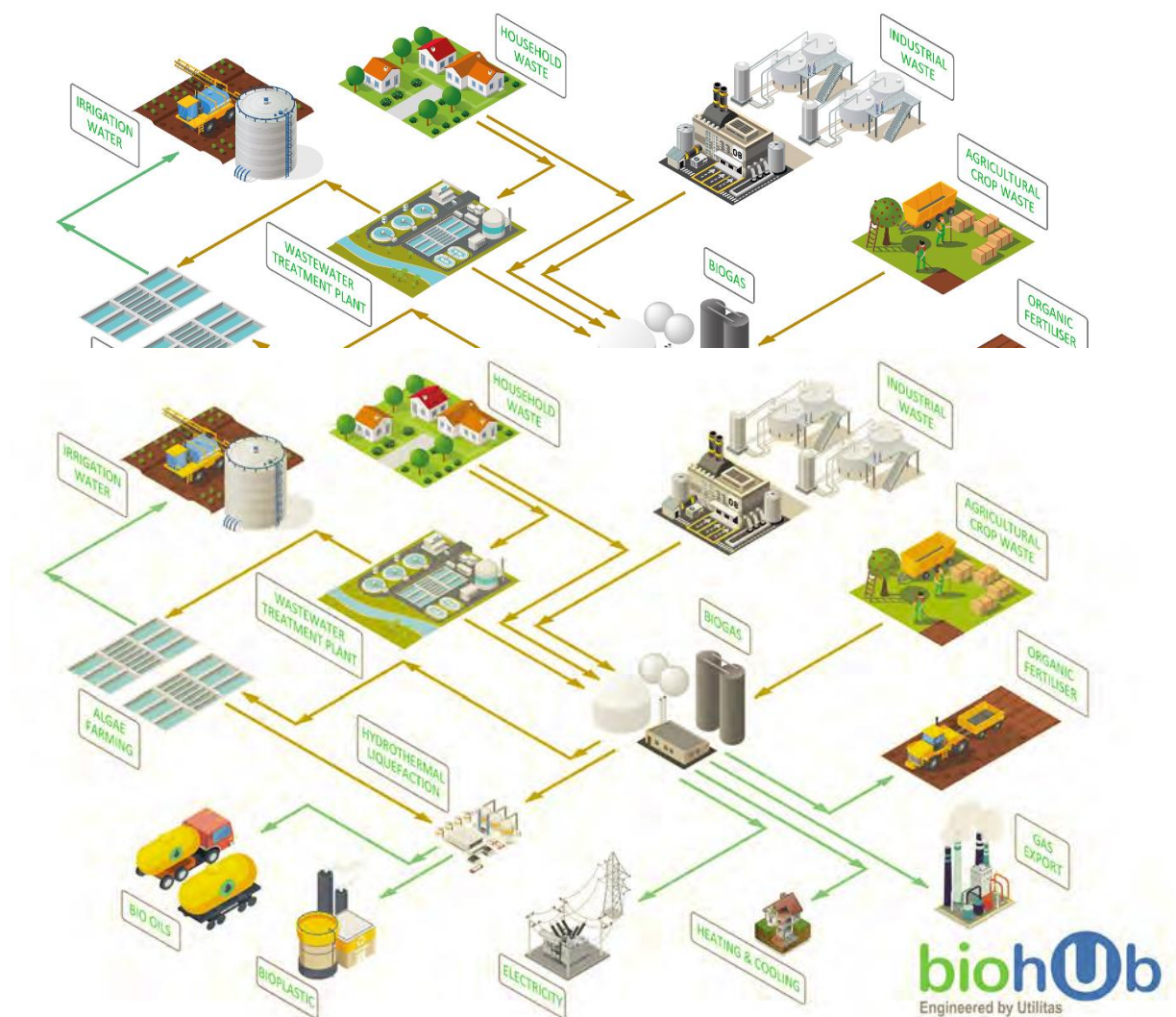
Eastern Gas has commenced a programme to reprocess key seismic data across the ATPs with the objective of enhancing the original data and identifying potential targets for field exploration.

### Investment in Biogas Renewable Energy Sector

As noted in the 2016 Annual Report, Coalbank Limited (now AustChina) was pleased to announce on 15th July 2016 that it had entered into an Agreement to subscribe for shares representing a 25% shareholding in Utilitas Pty Ltd for \$1 million.<sup>6</sup> Following completion of due diligence, on 19<sup>th</sup> August 2016 the Company settled on its subscription for shares in Utilitas Group Pty Ltd (Utilitas) (100% holder of Utilitas Pty Ltd).<sup>7</sup>

The Company also acquired the shares held by a number of small shareholders at the placement price of 14.14 cents, representing just less than 1% for a total cost of \$28,849 and resulting in a reduced number of shareholders in the Utilitas Group.

Utilitas is a Brisbane based privately owned company established in 2010 by Ms Fiona Waterhouse. The company is focused on the emerging biogas and biorefining industries in Australasia and represents a unique opportunity for



**Figure 3: BioHub Concept**

The first three bioHub projects proposed for Utilitas in Australia are progressing towards financial close.

<sup>6</sup> ASX (CBQ) Announcement: Coalbank Invests in Utilitas Pty Ltd, 15 July 2016

<sup>7</sup> ASX Announcement: Coalbank Settles Utilitas Investment, 19 August 2016

Utilitas and fractional investment fund manager DomaCom Australia Limited have launched Australia's first crowd-funding campaign<sup>2</sup> to secure a site at Casino, northern NSW and develop a bioHub to service the energy needs of its nearby industries and community. This exciting "new-age" energy project aims to raise \$4.3m for the land and the development costs, after which Utilitas will enter into a 10-year lease to operate the bioHub.

The Utilitas Group Pty Limited (Utilitas) has also obtained government support for the \$18 million Bundaberg biorefinery project as one of the biofutures projects under the Palaszczuk Government's \$4 million Biofutures Acceleration Programme.<sup>3</sup>

The project seeks to re-purpose the Bundaberg East Wastewater Treatment plant, through which Utilitas plans to process feedstock such as organic trade and agricultural waste and produce green energy and bio-crude.

### **Operations Outlook**

The Blackall Coal Project remains a medium term opportunity associated in part with the increasing demand for thermal coal into South East Asia, with any improvement in infrastructure economics that may arise should other Galilee Basin projects go ahead, and also with any potential value-adding of product that may be possible on site.

The Company looks forward to working further with Eastern Gas on the exploration of its three ATPs in Queensland as it works through the geological data which may indicate targets for further exploration.

AustChina's investment in the biogas sector through Utilitas includes the potential for Utilitas to develop new projects in the biogas space as it evaluates the many potential sites for these facilities. Support from the Queensland government in this developing industry is positive for the growth of the bio energy sector in which Utilitas operates.

AustChina is investigating a wider range of quality investment opportunities that might arise from increased focus on Chinese-based links.

**Andrew Fogg**  
**Chief Executive Officer**



## DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of AustChina Holdings Limited ("the company") and the entities it controlled at the end of, or during, the year ended 30 June 2017. Throughout this report the consolidated entity is referred to as the group.

### Directors

The following persons were Directors at any time during the year and continue in office at the date of this report:

A Chan  
D Chan  
N Bolkus  
G Lam  
R Marks  
W Ko (appointed 09 August 2017)

### Principal Activities

During the year the principal continuing activity of the Group consisted of exploration for mineral resources.

### Review of Operations

The operating loss after income tax of the Group for the year was \$1,001,165 (2016: loss \$2,471,950). The loss includes non-cash expense items (including exploration assets written off, depreciation, finance costs and share of loss from equity accounted investments) of \$214,031 (2016: \$1,906,316).

Information on the operations of AustChina Holdings Limited and its business strategies and prospects is set out in the CEO's Report and Review of Operations on pages 3 to 7 of this annual report.

### Dividend

The directors do not recommend the payment of a dividend. No dividend was paid during the year.

### Significant Changes in the State of Affairs

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

There was no change in Contributed Equity during the year.

### Matters Subsequent to the End of the Financial Year

Since 30 June 2017 AustChina Holdings Limited has been advanced loan funds of \$200,000 from Treasure Wheel Global Limited. The loan is unsecured and for an initial period of 12 months. The loan is interest free.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

### Likely Developments and Expected Results from Operations

Comments on expected results of certain operations of the group are included in this annual report under the CEO's report and review of operations on pages 3 to 7.

### Environmental Regulation

The Group is subject to significant environmental regulation in respect of its exploration activities in Australia and is committed to undertaking all its operations in an environmentally responsible manner.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation and is not aware of any breach of those requirements during the financial year and up to the date of the directors' report.

## Information on Directors

### **A Chan MH, JP.** *Non-executive director*

Experience and expertise	Mr Chan has extensive experience in managing both listed and unlisted entities, engaged in the resource industry commercial and residential development and early childhood education. Mr Chan is also actively involved in community services and organisations.
Other current directorships	Chairman and Director of Loyal Strategic Investment Limited and its wholly-owned subsidiary, Treasure Wheel Global Limited, Ruifeng Petroleum Chemical Holding Ltd and Black Sea Horizon Investment Holdings Ltd.
Former directorships in last 3 years	Nil
Special responsibilities	Chairman
Interests in shares and options	Indirect interest in 665,239,694 Ordinary Shares

### **The Honourable N Bolkus Lib.** *Independent Non-executive director*

Experience and expertise	Mr Bolkus has a long and distinguished career in the Australian Parliament as a Senator for 24 years and having served as the Minister for Consumer Affairs, Minister for Administrative Services, Minister for Immigration, Minister Assisting The Treasurer (FIRB) and Minister for Multicultural Cultural Affairs. Since leaving politics Mr Bolkus is a partner in a Corporate Consultancy having consulted to a number of companies both within Australia and overseas.
Other current directorships	
Former directorships in last 3 years	Nil
Special responsibilities	Deputy Chairman
Interests in shares and options	Nil

### **G Lam BSc, MSc, MBA, DPA, MPA, LLB (Hons), LLM, PCLL, PhD, FHKIoD, FHKI Arb, FCMA, FCPA(Aust.)** *Independent non-executive director*

Experience and expertise	Mr Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Chairman of the Audit and Risk Management Committee and Chairman of the Remuneration Committee
Interests in shares and options	Nil

### **D Chan CFA, MRICS.** *Non-executive director*

Experience and expertise	Mr Chan has extensive experience in the financial and investment arena and holds a Master's Degree in Finance from the Imperial College London and Chartered Financial Analyst (CFA) and is a member of the Royal Institute of Chartered Surveyors (MRICS). Mr Chan has over 12 years' experience in China real estate investment.
Other current directorships	Director of Loyal Strategic Investment Limited
Former directorships in last 3 years	Nil
Special responsibilities	Member of the Audit and Risk Management Committee and Member of the Remuneration Committee
Interests in shares and options	Indirect interest in 665,239,694 Ordinary Shares

<b>R Marks. Independent non-executive director</b>	
Experience and expertise	Mr Marks is the founder and Managing Director of Dynamic Products Corporation with head office in Sydney, Australia together with affiliated companies located in New Zealand, South Africa and China. He has had extensive experience over four decades with the establishment and 'hands on' control of production facilities in Australia, Thailand and China. He had led the development of export sales for this company's products to 63 countries throughout the world and is well respected in the specific fields of international marketing. Mr Marks and his company are proud winners of the coveted 'Export Award' presented by the Federal Government in recognition of outstanding Export Sales achievement.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Nil
Interests in shares and options	Nil

<b>W Ko. Independent non-executive director (appointed on 9 August 2017)</b>	
Experience and expertise	Mr Ko holds a Bachelor of Laws degree from the University of London as well as a Postgraduate Certificate in Laws from the University of Hong Kong and a Diploma in Chinese Laws from the University of Macau and has been admitted in Australia, Hong Kong, New Zealand and England. Mr Ko has over 30 years' experience in China trade and cross border transactions and has been involved in mining and resources projects including coal, iron ore, gold, copper and petroleum in Australia and overseas.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Nil
Interests in shares and options	Nil

#### Company Secretary

The company secretary is Ms Leni Stanley CA, B.Com. Ms Stanley was appointed to the position of company secretary in 2002. Ms Stanley is the principal in a Chartered Accounting firm and holds the office of company secretary with other ASX listed companies.

#### Meetings of Directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each director were:

	Full Meetings of Directors		Meetings of Audit Committee	
	A	B	A	B
A Chan	4	5	2	2
N Bolkus	4	5	2	2
G Lam	4	5	2	2
D Chan	4	5	2	2
R Marks	5	5	2	2
W Ko (appointed 9 August 2017)	0	0	0	0

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year.

There were no meetings of the Remuneration Committee during the year.

## Remuneration Report (AUDITED)

The directors are pleased to present AustChina Holdings Limited's 2017 remuneration report which sets out remuneration information for AustChina Holdings Limited's non-executive directors, executive directors, and other key management personnel.

The report contains the following sections:

- (a) Key management personnel disclosed in this report
- (b) Remuneration governance
- (c) Use of remuneration consultants
- (d) Executive remuneration policy and framework
- (e) Relationship between remuneration and AustChina Holdings Limited's performance
- (f) Non-executive director remuneration policy
- (g) Voting and comments made at the company's 2016 Annual General Meeting
- (h) Details of remuneration
- (i) Service agreements
- (j) Details of share-based compensation and bonuses
- (k) Equity instruments held by key management personnel
- (l) Loans to key management personnel
- (m) Other transactions with key management personnel

### **(a) Key management personnel disclosed in this report**

<i>Non-executive and executive directors (see pages 9 to 10 for details about each director)</i>	
<b>Name</b>	<b>Position</b>
<b>Present:</b>	
A Chan	Non-executive Chairman – appointed 22 November 2013
N Bolkus	Independent non-executive director – appointed 22 November 2013
G Lam	Independent non-executive director – appointed 22 November 2013
D Chan	Non-executive director – appointed 22 November 2013
R Marks	Independent non-executive director – appointed 23 November 2013
W Ko	Independent non-executive director – appointed 9 August 2017

### *Other key management personnel*

<b>Name</b>	<b>Position</b>
Andrew Fogg	Chief Executive Officer – appointed 2 December 2013
Bruce Patrick	Chief Operating Officer – appointed 1 December 2013. Previously served as Chief Executive Officer.

There have been no changes in key management personnel since the end of the financial year apart for the appointment of Mr W Ko as non-executive director on 9 August 2017.

### **(b) Remuneration governance**

The board is responsible for:

- the over-arching executive remuneration framework
- operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles
- remuneration levels of executive directors and other key management personnel, and
- non-executive directors' fees.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group.

### **(c) Use of remuneration consultants**

The Group has not engaged the services of any remuneration consultants during the current or prior financial years.

## Remuneration Report (continued)

### (d) *Executive remuneration policy and framework*

The combination of base pay and superannuation make up the executives' fixed remuneration. Base pay for the executives is reviewed annually to ensure the executive's pay is competitive with the market. Executive pay is linked to the performance of the company through the issue of performance rights and share options. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

#### *Long-term incentives*

Refer to section (j) of the Remuneration Report below for details regarding the Group's long-term incentives.

### (e) *Relationship between remuneration and AustChina Holdings Limited's performance*

During the year, the Company has generated losses from its principal activity of exploration for coal. As the Company is still in the exploration and development stage, the link between remuneration, company performance and shareholder wealth is tenuous. Share prices are subject to the influence of coal prices and market sentiment towards the sector, and as such increases or decreases may occur quite independent of Executive performance or remuneration.

During the current and previous financial years the group has generated losses from its exploration and evaluation activities. Given the nature of the group's activities and the consequential operating results, no dividends have been paid. There have been no returns of capital in the current or previous financial periods. The details of market price movements are as follows:

	Share price
Year end 30 June 2017	\$0.003
Year end 30 June 2016	\$0.001
Year end 30 June 2015	\$0.002
Year end 30 June 2014	\$0.002
Year end 30 June 2013	\$0.010
Year end 30 June 2012	\$0.050
Year end 30 June 2011	\$0.040
Year end 30 June 2010	\$0.090

### (f) *Non-executive director remuneration policy*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. Non-executive directors do not receive performance based pay.

Share options are issued to non-executive directors at the discretion of the board and following shareholder approval.

The current base fees were last reviewed with effect from 22 November 2013.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$400,000 in aggregate and was approved by shareholders at the annual general meeting on 9 November 2009.

The following fees have applied:

Base fees	\$
Chair	30,000
Other non-executive directors	20,000

### (g) *Voting and comments made at the company's 2016 Annual General Meeting*

AustChina Holdings Limited received more than 99.96% of "yes" votes on its remuneration report for the 2016 financial year. The company did not receive any feedback at the AGM or throughout the year on its remuneration practices.

### (h) *Details of remuneration*

#### *Amounts of remuneration*

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of AustChina Holdings Limited are set out in the following tables.

# Remuneration Report (continued)

## Key management personnel of AustChina Holdings Limited

2017	Short-term benefits	Post- employment benefits	Share- based payment s			
Name	Cash salary and fees \$	Super- annuation \$	Options \$	Total \$	A %	B %
<i>Non-executive directors</i>						
A Chan, Chairman	30,000	-	-	30,000	100%	-
D Chan	20,000	-	-	20,000	100%	-
<i>Independent non-executive directors</i>						
N Bolkus	20,000	1,900	-	21,900	100%	-
G Lam	20,000	-	-	20,000	100%	-
R Marks	20,000	1,900	-	21,900	100%	-
Sub-total non-executive directors	110,000	3,800	-	113,800	100%	-
<i>Other key management personnel</i>						
A Fogg – Chief Executive Officer	174,091	-	-	174,091	100%	-
B Patrick– Chief Operating Officer	150,100	-	-	150,100	100%	-
<b>Total key management personnel compensation</b>	<b>434,191</b>	<b>3,800</b>	<b>-</b>	<b>437,991</b>	<b>100%</b>	<b>-</b>

A Proportion of remuneration that is fixed remuneration

B Percentage of remuneration that is share-based payment

2016	Short-term benefits	Post- employment benefits	Share- based payment s			
Name	Cash salary and fees \$	Super- annuation \$	Options \$	Total \$	A %	B %
<i>Non-executive directors</i>						
A Chan, Chairman	30,000	-	-	30,000	100%	-
D Chan	20,000	-	-	20,000	100%	-
<i>Independent non-executive directors</i>						
N Bolkus	20,000	1,900	-	21,900	100%	-
G Lam	20,000	-	-	20,000	100%	-
R Marks	20,000	1,425	-	20,000	100%	-
Sub-total non-executive directors	110,000	3,325	-	113,800	100%	-
<i>Other key management personnel</i>						
A Fogg – Chief Executive Officer	190,000	-	-	190,000	100%	-
B Patrick– Chief Operating Officer	159,996	-	-	159,996	100%	-
<b>Total key management personnel compensation</b>	<b>459,996</b>	<b>3,325</b>	<b>-</b>	<b>463,796</b>	<b>100%</b>	<b>-</b>

A Proportion of remuneration that is fixed remuneration

B Percentage of remuneration that is share-based payment



## Remuneration Report (continued)

Amounts shown above as remuneration for year ended 30 June 2017 for non-executive directors A Chan, D Chan and Independent non-executive directors N Bolkus, G Lam and R Marks include accruals totaling \$199,150 for fees not yet paid during the financial year which is included in trade and other payables at 30 June 2017.

### **(i) Service agreements**

The Company has a service agreement with NABJA Consulting Services Pty Ltd for the services of Mr Andrew Fogg, Chief Executive Officer. The service agreement is for a period of 5 years and commenced on 1 December 2013. The base fees are \$15,833 per month. The contract includes a change of control clause which is triggered if Treasure Wheel Global Limited ceases to hold 25% or more of AustChina Holdings Limited. Under the change of control clause a compensation amount equal to one year remuneration is payable. In addition, under the contract the contractor or his nominee is entitled to receive five million performance rights in the Company, once the share price equals or exceeds two cents for five consecutive trading days.

The Company has a service agreement with Geomine Project Management Pty Ltd for the services of Mr Bruce Patrick, Chief Operating Officer. The service agreement is ongoing and commenced on 1 December 2013. The base fees are \$13,333 per month. There are no termination benefits under the agreement. In addition, under the contract the contractor or his nominee is entitled to receive three million performance rights in the Company, once the share price equals or exceeds two cents for five consecutive trading days.

### **(j) Details of share based compensation and bonuses**

Long-term incentives are provided to directors and key management personnel via the issue of performance rights and options.

Currently AustChina Holdings does not have an Employee Share Option Plan, though such a Plan may be recommended to Shareholders for approval in the future. It is intended that any future AustChina Holdings Limited Employee Share Option Plan be designed to provide long-term incentives for directors and executives to deliver long-term shareholder returns. Under the plan, participants would be granted options and/or performance rights which only vest if certain performance standards are met and the employees are still employed by the group at the end of the vesting period. Participation in the plan is at the board's discretion.

### **Options**

There were no options over ordinary shares in the company provided as remuneration during the financial year.

### *Shares provided on exercise of remuneration options*

There were no ordinary shares in the company issued on the exercise of remuneration options during the financial year.

### **Performance rights**

There were no performance rights over ordinary shares in the company provided as remuneration during the financial year.

### *Shares provided on exercise of performance rights*

There were no ordinary shares in the company issued to key management personnel during the financial year from the exercise of performance rights.

### **(k) Equity instruments held by key management personnel**

The tables below show the number of:

- (i) options over ordinary shares in the company
- (ii) performance rights granted, and
- (iii) shares in the company

that were held during the financial year by key management personnel of the group, including their close family members and entities related to them.

## Remuneration Report (continued)

There were no shares or options granted during the reporting period as compensation.

### (i) Options and rights holdings

2017 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Directors of AustChina Holdings Limited</b>						
A Chan	-	-	-	-	-	-
N Bolkus	-	-	-	-	-	-
G Lam	-	-	-	-	-	-
D Chan	-	-	-	-	-	-
R Marks	-	-	-	-	-	-
Total	-	-	-	-	-	-
<b>Other key management personnel</b>						
A Fogg	-	-	-	-	-	-
B Patrick	-	-	-	-	-	-
Total	-	-	-	-	-	-

### (ii) Shareholdings

2017 Name	Balance at the start of the year	Received during the year on the conversion of convertible notes	Other changes during the year	Balance at the end of the year
<b>Ordinary shares</b>				
A Chan #	531,906,361	133,333,333	-	665,239,694
N Bolkus	-	-	-	-
G Lam	-	-	-	-
D Chan ^	531,906,361	133,333,333	-	665,239,694
R Marks	-	-	-	-
A Fogg	11,635,839	-	5,364,161	17,000,000
B Patrick	2,032,083	-	-	2,032,083

# A Chan is a director and shareholder of Loyal Strategic Investment Ltd, the holding company of Treasure Wheel Global Limited, which is the registered holder of the shares.

^ D Chan is a director of Loyal Strategic Investment Ltd, the holding company of Treasure Wheel Global Limited, which is the registered holder of the shares.

### (l) Loans to key management personnel

There were no loans to key management personnel during the financial period.

### (m) Other transactions with key management personnel

There were no other transactions with key management personnel during the financial period.

**This is the end of the remuneration report (audited).**

**Shares under Option**

There are no unissued ordinary shares of AustChina Holdings Limited under option or performance rights at the date of this report.

**Shares Issued on the Exercise of Options**

There were no ordinary shares of AustChina Holdings Limited issued during or since the end of the year ended 30 June 2017 on the exercise of options.

**Insurance of Officers**

During the financial year AustChina Holdings Limited paid a premium to insure the directors and officers of the company. The policy prohibits disclosure of details of the cover and the amount of premium paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

**Agreement to Indemnify Officers**

AustChina Holdings Limited is party to an agreement to indemnify the directors and officers of the company.

The indemnity relates to any liability:

- (a) incurred in connection with or as a consequence of the directors and officers acting in the capacity including, without limiting the foregoing, representing the company on any body corporate, and
- (b) for legal costs incurred in defending an action in connection with or as a consequence of the director or officer acting in the capacity.

No liability has arisen under these indemnities as at the date of this report.

**Indemnity of auditors**

AustChina Holdings Limited has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, AustChina Holdings Limited has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on Behalf of 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.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 21 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of RSM Australia Partners**

There are no officers of the Company who are former partners of RSM Australia Partners.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

**Auditors' independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

**Auditor**

On 24 May 2016 AustChina Holdings Limited appointed RSM Australia Partners as its auditors. The appointment of RSM Australia Partners for the 30 June 2017 financial year was submitted for approval by shareholders at the 2016 Annual General Meeting in accordance with section 327 of the *Corporations Act 2001* which approved the appointment.

The prior auditors, BDO Audit Pty Ltd was appointed auditor on 9 November 2009 and continued in office until 24 May 2016.

This report is made in accordance with a resolution of the directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'A Chan', with a long horizontal line extending to the right.

**A Chan**  
**Chairman**

Brisbane, 29 September 2017

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of AustChina Holdings Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

**RSM AUSTRALIA PARTNERS**

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

**Albert Loots**  
Partner

Brisbane, QLD  
Dated: 29 September 2017

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

## DECLARATION BY DIRECTORS

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, for the reasons provided in Note 3(iii).

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The remuneration disclosures contained in the Remuneration Report comply with s300A of the *Corporations Act 2001*.

The directors have been given the declarations by the chief executive officer and the chief financial officer required by s295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



A Chan  
Chairman

Brisbane, 29 September 2017



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017**

		<b>Consolidated</b>	
	Notes	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
Interest income		1,332	1,144
Profit on sale of fixed asset		400	-
Exploration assets written off/expensed		(73,135)	(1,899,625)
Professional services expenses		(476,120)	(330,740)
Corporate overhead expenses		(158,637)	(124,138)
Depreciation expenses		(4,810)	(6,691)
Directors' remuneration		(115,225)	(111,900)
Finance costs		(28,331)	-
Interest costs		(38,884)	-
Share of loss from equity accounted investment		(107,755)	-
Loss before income tax	5	(1,001,165)	(2,471,950)
Income tax expense	6	-	-
<b>Net loss for the period</b>		<b>(1,001,165)</b>	<b>(2,471,950)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		<b>(1,001,165)</b>	<b>(2,471,950)</b>
		Cents	Cents
<b>Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic loss per share	27	(0.09)	(0.25)
Diluted loss per share	27	(0.09)	(0.25)
<b>Loss per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic loss per share	27	(0.09)	(0.25)
Diluted loss per share	27	(0.09)	(0.25)

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

**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2017**

		<b>Consolidated</b>	
	Notes	<b>2017</b>	2016
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	245,853	932,756
Trade and other receivables	8	13,721	116,327
Total current assets		259,574	1,049,083
<b>Non-current assets</b>			
Plant and equipment	9	646	5,456
Investments	10	-	28,849
Investments accounted for using equity method	11	921,127	-
Exploration and evaluation assets	12	15,558,524	15,389,119
Other assets	13	110,000	174,796
Total non-current assets		16,590,297	15,598,220
Total assets		16,849,871	16,647,303
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	311,795	198,615
Borrowings	15	800,000	3,620,000
Total current liabilities		1,111,795	3,818,615
<b>Non-current liabilities</b>			
Borrowings	15	1,377,137	-
Other financial liabilities	16	1,500,000	1,500,000
Total non-current liabilities		2,877,137	1,500,000
Total liabilities		3,988,932	5,318,615
<b>Net assets</b>		<b>12,860,939</b>	<b>11,328,688</b>
<b>EQUITY</b>			
Issued capital	17	65,507,816	62,974,400
Reserves	18	3,528,043	3,528,043
Accumulated losses	18	(56,174,920)	(55,173,755)
<b>Total equity</b>		<b>12,860,939</b>	<b>11,328,688</b>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	Issued Capital \$	Share based payment reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2015</b>		62,974,400	3,528,043	(52,701,805)	13,800,638
Loss for the year		-	-	(2,471,950)	(2,471,950)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		-	-	(2,471,950)	(2,471,950)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs	17	-	-	-	-
Share based payments expense	18	-	-	-	-
<b>Balance at 30 June 2016</b>		62,974,400	3,528,043	(55,173,755)	11,328,688
Loss for the year		-	-	(1,001,165)	(1,001,165)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		-	-	(1,001,165)	(1,001,165)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs	17	2,533,416	-	-	2,533,416
Share based payments expense	18	-	-	-	-
<b>Balance at 30 June 2017</b>		<u>65,507,816</u>	<u>3,528,043</u>	<u>(56,174,920)</u>	<u>12,860,939</u>

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

# **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017**

		<b>Consolidated</b>	
	Notes	<b>2017</b>	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts in the course of operations (inclusive of goods and services tax)		77,428	66,531
Payments to suppliers (inclusive of goods and services tax)		(708,433)	(607,681)
Interest received		1,332	1,144
		<hr/>	<hr/>
<b>Net cash outflows from operating activities</b>	24	(629,673)	(540,006)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation assets		(274,061)	(259,072)
Proceeds from sale of plant and equipment		400	-
Payment for equity investment		(1,000,033)	(28,849)
Loan to other entity		-	(100,000)
Repayment of loan from other entity		100,000	-
Refunds for security deposits		64,796	7,500
		<hr/>	<hr/>
<b>Net cash outflows from investing activities</b>		(1,108,898)	(380,421)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		-	-
Payments for share issue costs associated with conversion of convertible note		(28,332)	-
Proceeds from financial liabilities		1,080,000	1,620,000
		<hr/>	<hr/>
<b>Net cash inflows from financing activities</b>		1,051,668	1,620,000
		<hr/>	<hr/>
<b>Net increase / (decrease) in cash and cash equivalents</b>		(686,903)	699,573
Cash and cash equivalents at the beginning of the financial year		932,756	233,183
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the financial year</b>	7	245,853	932,756
		<hr/>	<hr/>

*The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### Note 1 Summary of significant accounting policies

This financial report covers the Consolidated Entity of AustChina Holdings Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity" or "Group"). AustChina Holdings Limited is a listed public company, incorporated and domiciled in Australia. The Consolidated Entity is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

##### Operations and principal activities

The principal activity of the Consolidated Entity is coal exploration.

##### Currency

The financial report is presented in Australian dollars which is the functional and presentational currency of the Consolidated Entity.

##### Authorisation of financial report

The financial report was authorised for issue on 29 September 2017.

##### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

##### Historical cost convention

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.

#### (b) Principles of consolidation

##### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and statement of comprehensive income, statement of changes in equity and balance sheet respectively.

## **Note 1 Summary of significant accounting policies (continued)**

### **(c) Income taxes**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### **(d) Exploration and evaluation assets**

Exploration and evaluation assets incurred by or on behalf of the Group is accumulated separately for each area of interest until such time as the area of interest moves into development phase, or is abandoned or sold. The realisation of the value of expenditure carried forward depends upon any commercial results that may be obtained through successful development and exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment.

### **(e) Acquisitions of assets**

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

### **(f) Impairment of non-financial assets**

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of 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.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.



## **Note 1 Summary of significant accounting policies (continued)**

### **(g) Property, plant and equipment**

All property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation, and any impairment.

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	3 – 5 years
Field equipment	5 years

### **(h) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. These amounts are unsecured and usually have 30 day payment terms.

### **(i) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **(j) Issued capital and share-based payments**

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.

### **(k) Revenue**

#### *Interest Income*

Interest income is recognised on a time proportion basis using the effective interest method.

### **(l) Goods and Services Tax ("GST")**

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### **(m) Earnings per share**

#### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## **Note 1 Summary of significant accounting policies (continued)**

### **(n) Financial instruments**

#### *Initial recognition and measurement*

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

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

#### *Classification and subsequent measurement*

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortization of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- d. less any reduction for impairment.

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

#### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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

#### *(ii) Financial liabilities*

Financial liabilities, after initial recognition, are measured at either amortised cost using the effective interest rate method, or at fair value. Where an instrument contains an embedded derivative that component is, where appropriate, separately identified and measured at fair value. If the embedded derivative is not capable of being measured separately at acquisition or at the end of a reporting period, the entire instrument is measured at fair value.

## **Note 1 Summary of significant accounting policies (continued)**

### **(o) Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

### **(p) Parent entity financial information**

The financial information for the parent entity, AustChina Holdings Limited, disclosed in note 19 has been prepared on the same basis as the consolidated financial statements except in respect of tax consolidation legislation.

AustChina Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, AustChina Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, AustChina Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate AustChina Holdings Limited for any current tax payable assumed and are compensated by AustChina Holdings Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to AustChina Holdings Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

## **Note 1 Summary of significant accounting policies (continued)**

### **(q) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **(r) New accounting standards and interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

#### **AASB 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

## Note 2 Financial instruments

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk.

The Group holds the following financial instruments:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	245,853	932,756
Trade and other receivables	13,721	116,327
Security deposits	110,000	174,796
	<u>369,574</u>	<u>1,223,879</u>
<b>Financial liabilities</b>		
Trade and other payables	311,795	198,615
Other financial liabilities (including borrowings and derivatives)	3,677,137	5,120,000
	<u>3,988,932</u>	<u>5,318,615</u>

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

There have been no substantive changes to the Group's exposure to financial instruments, its objectives, policies and processes for managing risks from previous periods.

### Credit risk

Credit risk is managed on a Group basis. Credit risk arises primarily from cash and cash equivalents and deposits with banks and financial institutions. For bank and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Cash at bank and short-term bank deposits</b>		
AA-	245,750	932,653
A	103	103
	<u>245,853</u>	<u>932,756</u>

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. No finance facilities were available to the Group at the end of the reporting period.

### Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings.

<b>Contractual maturities of financial liabilities</b>	<b>Less than 6 months</b>	<b>6 – 12 months</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying amount</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 30 June 2017</b>							
Trade and other payables	311,795	-	-	-	-	311,795	311,795
Borrowings	-	800,000	1,377,137	-	-	2,177,137	3,477,137
	<u>311,795</u>	<u>800,000</u>	<u>1,377,137</u>	<u>-</u>	<u>-</u>	<u>2,488,932</u>	<u>3,988,932</u>
<b>At 30 June 2016</b>							
Trade and other payables	198,615	-	-	-	-	198,615	198,615
Borrowings	3,620,000	-	-	-	-	3,620,000	5,120,000
	<u>3,818,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,818,615</u>	<u>5,318,615</u>

Other financial liabilities of \$1,500,000 (2016: \$1,500,000) relate to a royalty agreement as outlined in Note 16. At this stage there is no known cash outflow arising from this liability.

## **Note 2 Financial risk management (continued)**

### **Cash flow and fair value interest rate risk**

As the Group has interest-bearing cash assets, the company's income and operating cash flows are exposed to changes in market interest rates. The company manages its exposure to changes in interest rates by using fixed term deposits.

At 30 June 2017 if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$245 lower/higher (2016 – change of 100 bps: \$161 higher/lower), as a result of higher/lower interest income from cash and cash equivalents.

#### *Fair Value*

The carrying value of all other assets and liabilities approximate their fair value.

## **Note 3. Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

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 Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements.

### **Key judgements and estimates**

#### *(i) Carrying value of exploration and evaluation assets*

The Group has capitalised exploration expenditure of \$15,558,524 (2016: \$15,389,119). This amount includes costs directly associated with exploration. These costs are capitalised until assessment and/or drilling of the permit is complete and the results have been evaluated. These costs include employee remuneration, materials, rig costs, delay rentals and payments to contractors. The expenditure is carried forward until such a time as the area of interest moves into the development phase, is abandoned, sold or sub-blocks relinquished.

Given exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable resources and the difficulty in forecasting cash flows to assess the fair value of exploration expenditure there is uncertainty as to the carrying value of exploration expenditure. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interests in the tenements. There are no factors or circumstances which suggest that the carrying amount of remaining exploration and evaluation assets may exceed recoverable amount.

#### *(ii) Fair value of the financial liabilities*

The Group has agreements with Oliver Lennox-King (Lennox-King), whereby Lennox-King has paid a net \$1.5 million to the Group and in return the Group has agreed to pay Lennox-King a royalty equal to 1% of the gross value of coal sold from the tenements currently held by the Group, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin. The liability was initially recognised at fair value. Post initial recognition, the financial liability is accounted for in accordance with the Group policy for financial instruments set out in Note 1(n).

The royalty is only payable in the event of future production of coal.

The Group's exploration and evaluation activities have not progressed to a stage to allow more reliable measurement of any future royalty payment obligations. As such, the Board is of the view that the fair value at the time of the receipt of the funds remains the appropriate measure of fair value at reporting date.

#### *(iii) Going concern*

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

As disclosed in the financial statements, the Group recorded a loss of \$1,001,165 and had net cash outflows from operating activities of \$629,673 for the year ended 30 June 2017. Also, the Consolidated Balance Sheet shows a working capital shortfall of \$852,221. The reduction of the working capital shortfall is due to the convertible note being a non-current liability, while in the prior year the convertible note then on issue was a current liability and which was due for settlement within 12 months.

The Group also has expenditure commitments within the next 12 months of \$9,785,414 as detailed in Note 25.



### Note 3 Critical accounting estimates and judgements (continued)

The Directors acknowledge that, as in the prior year, to continue the exploration and development of the Group's exploration projects, the budgeted cash flows from operating and investing activities for the future will necessitate further capital raising.

On 7 December 2016 the previous convertible note for \$2,000,000 was converted by the noteholder Treasure Wheel Global Limited into 133,333,333 ordinary shares in the parent entity following shareholder approval having been obtained.

On 30 November 2016 \$1,900,000 unsecured loan from Treasure Wheel Global Limited was converted into a convertible note following shareholder approval. The note matures 24 months from the date of issue and is interest free. The note is convertible into shares at a price equal to 10 day VWAP x 0.915 for the 10 days immediately before the conversion date.

During the year to 30 June 2017 AustChina Holdings Limited has received loans totaling \$1,080,000 from Treasure Wheel Global Limited, of which \$280,000 has been included in the convertible note and \$800,000 is an unsecured loan as at 30 June 2017.

Since 30 June 2017 AustChina Holdings Limited has received a loan of \$200,000 from Treasure Wheel Global Limited. In addition, Treasure Wheel Global Limited has provided a letter of support undertaking to provide financial support, to enable AustChina Holdings Limited to continue operations, for at least twelve months from the date of this report.

In the event that the Group is unable to raise future funding requirements or rely on the financial support of Treasure Wheel Global Limited, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for costs which may arise as a result of cessation or curtailment of normal business operations.

### Note 4 Segment information

#### *Identification of reportable segments*

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Board of Directors carries out the role and is therefore the Chief Operating Decision Maker. Financial information provided to the board is currently at the consolidated level.

Management currently identifies the consolidated entity as having only one reportable segment, being exploration of coal, oil and gas. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

The Group operates solely within Australia.

The Group does not have any products or services that it derives revenue from.

### Note 5 Expenses

Loss before income tax includes the following specific expenses:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Defined contribution superannuation expense</i>	5,225	1,425
<i>Depreciation</i>		
Plant and equipment	4,810	6,691
<i>Exploration expenditure written off/expensed</i>	73,135	1,899,625
<i>Share of loss from equity accounted investment</i>	107,755	-
<i>Finance costs</i>		
Unwinding of issue costs financial liabilities not at fair value through profit or loss	28,331	-
Interest paid	38,884	-
<i>Finance costs expensed</i>	<u>67,215</u>	<u>-</u>

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Note 6 Income tax expense</b>		
<b>(a) Income tax expense</b>		
Current tax expense	-	-
Deferred tax expense	-	-
Aggregate income tax expense	-	-
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from operations before income tax expense	(1,001,165)	(2,471,950)
Tax at the Australian tax rate of 27.5% (2017: 30%)	(275,320)	(741,586)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other	7,265	-
	(268,055)	(741,586)
Deferred tax assets not recognised	268,055	741,586
Income tax expense	-	-
<b>(c) Deferred Tax Liabilities</b>		
The balance comprises temporary differences attributable to:		
Exploration expenditure	4,278,594	4,616,736
Property, plant and equipment	-	1,637
Other	-	-
Total deferred tax liabilities	4,278,594	4,618,373
Set-off of deferred tax assets pursuant to set-off provisions	(4,278,594)	(4,618,373)
Net deferred tax liabilities	-	-
<b>(d) Deferred Tax Assets</b>		
The balance comprises temporary differences attributable to:		
Tax losses	18,941,705	20,024,344
Accruals	9,804	-
Business capital costs	29,144	71,281
Available for sale financial assets	-	300,000
Fixed assets	3,050	-
Investments	29,633	-
Other financial liabilities	412,500	450,000
Total deferred tax assets	19,425,836	20,845,625
Set-off of deferred tax assets pursuant to set-off provisions	(4,278,594)	(4,618,373)
Net adjustment to deferred tax assets not recognised	(15,147,242)	(16,227,252)
Net deferred tax assets	-	-
<b>(e) Unrecognised net deferred tax assets</b>		
Unused tax losses for which no deferred tax asset has been recognised	53,320,403	53,540,843
Potential tax effect at 30%	14,663,000	16,062,252

## Note 6 Income tax expense (continued)

Following the proportional takeover by Treasure Wheel Global Limited, the Group failed the Continuity of Ownership Test (COT). Unused tax losses are therefore carried forward under the Same Business Test (SBT). Management and the Directors are satisfied that the Group passes SBT on the basis that coal exploration has always been, and continues to be, the core focus of the business.

Unused losses which have not been recognised as an asset, will only be obtained if:

- (i) the group derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
- (ii) the group continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the group in realizing the losses.

### (f) Tax consolidation legislation

AustChina Holdings Limited and its wholly-owned Australian subsidiaries have implemented the income tax consolidation legislation from 1 August 2010. AustChina Holdings Limited is the head entity of the tax consolidated group for the year ended 30 June 2017. The Australian Taxation Office has been notified of the formation of the AustChina Holdings Limited tax consolidated group.

## Note 7 Current assets – Cash and cash equivalents

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	7,768	32,136
Deposits at call	238,085	900,620
	<b>245,853</b>	<b>932,756</b>

### (a) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

### (b) Deposits at call

All deposits are at call bearing an interest rate of between 0% and 0.7% (2016 – 0% to 2.4%).

## Note 8 Current assets – Trade and other receivables

Prepayments	8,816	8,244
Other debtors	4,905	108,083
	<b>13,721</b>	<b>116,327</b>

## Note 9 Non-current assets – Plant and equipment

Consolidated	Plant & equipment \$	Field plant & equipment \$	Total \$
<b>Year ended 30 June 2016</b>			
Opening net book amount	1,937	10,210	12,147
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	(646)	(6,045)	(6,691)
Closing net book amount	1,291	4,165	5,456
<b>At 30 June 2016</b>			
At Cost	6,495	30,228	36,723
Accumulated depreciation	(5,204)	(26,063)	(31,267)
Net book amount	1,291	4,165	5,456
<b>Year ended 30 June 2017</b>			
Opening net book amount	1,291	4,165	6,495
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	(645)	(4,165)	(4,810)
Closing net book amount	646	-	646
<b>At 30 June 2017</b>			
At Cost	6,495	-	6,495
Accumulated depreciation	(5,849)	-	(5,849)
Net book amount	646	-	646

**Consolidated**  
**2017**      **2016**  
**\$**           **\$**

## Note 10 Non-current assets – Investments

Unlisted equity securities – at cost	-	28,849
Unlisted securities are traded in inactive markets.		
Balance at the beginning of the year	28,849	-
Additions during the year	-	28,849
Investment transferred to Investments accounted for using equity method	(28,849)	-
Balance at the end of the year	-	28,849

**Consolidated**  
**2017**      **2016**  
**\$**           **\$**

## Note 11 Non-current Asset – Investments accounted for using equity method

Investment in Associate	921,127	-
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Refer to Note 29 for further information on investment in associate.

**Note 12    Non-current assets – Exploration and evaluation assets**

<b>Exploration phase costs – at cost</b>	<b>15,558,524</b>	<b>15,389,119</b>
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The capitalised exploration assets carried forward above has been determined as follows:

Balance at the beginning of the year	15,389,119	17,005,387
Expenditure incurred during the year - additions	242,540	283,357
Exploration expenditure written off	(73,135)	(1,899,625)
Balance at the end of the year	<u>15,558,524</u>	<u>15,389,119</u>

The ultimate recoupment of costs carried forward for exploration assets is dependent upon the successful development and commercial exploitation or alternatively sale of the interests in the tenements.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Note 13    Non-current assets – Other assets</b>		
Security deposit	110,000	174,796

Security deposits represent amounts lodged with the Queensland Department of Natural Resources and Mines as security for tenements.

#### **Note 14    Current liabilities – Trade and other payables**

<i>Unsecured</i>		
Trade payables	311,795	198,615
	<b>311,795</b>	<b>198,615</b>

#### **Note 15    Current liabilities – Borrowings**

Borrowings	800,000	1,620,000
Convertible note	-	2,000,000
	<b>800,000</b>	<b>3,620,000</b>

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b><i>Borrowings</i></b>		
Face value of notes issued	-	2,000,000
Other equity securities – value of conversion rights (note 17(e))	-	(260,870)
	-	1,739,130
Interest expense recognised in prior years	-	260,870
	-	2,000,000
Current liability	-	2,000,000

In 2014 financial year the 380 convertible notes on issue for \$1,900,000 were replaced with 1 convertible note with a face value of \$2,000,000. Following shareholder approval in November 2016, the note was converted into 133,333,333 ordinary shares of the parent entity.

The initial fair value of the liability portion of the note was determined using a market interest rate for an equivalent non-convertible note at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently re-measured.

During the current financial year Treasure Wheel Global Limited also advanced the company \$1,080,000 by way of an unsecured loan, of which 280,000 has been converted to a convertible note during the year with \$800,000 remaining outstanding at 30 June 2017 as an unsecured loan. The loan is for an initial term of 12 months and accrues interest at a rate of 0% p.a.

During the previous financial year Treasure Wheel Global Limited also advanced the company \$1,620,000 by way of an unsecured loan. The loan was for an initial term of 12 months and accrued interest at a rate of 0% p.a. This loan, together with \$280,000 advanced in the current year, has been converted to a \$1,900,000 convertible note during the financial year recorded as a non-current liability in Note 16.

## Note 16 Non-current liabilities – Borrowings

	2017 \$	2016 \$
Convertible note	1,377,137	-
<b>Borrowings</b>	<b>2017 \$</b>	<b>2016 \$</b>
Face value of notes issued	1,900,000	-
Other equity securities – value of conversion rights (note 17(e))	(522,863)	-
	1,377,137	-
Interest expense recognised in prior years	-	-
	-	-
Non-current liability	1,377,137	-

On 30 November 2016, the Company issued a Convertible Note for \$1,900,000 to Treasure Wheel Global Limited in place of \$1,900,000 unsecured loan.

The Convertible Note has a term of 24 months from the date of issue and is interest free. The note is convertible into ordinary shares in the parent entity at a price per share equal to 10 day VWAP x 0.915 for the 10 days immediately before the conversion date.

The initial fair value of the liability portion of the note was determined using a market interest rate for an equivalent non-convertible note at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently re-measured.

During the current financial year Treasure Wheel Global Limited also advanced the company \$1,080,000 by way of an unsecured loan, of which 280,000 has been converted to a convertible note during the year with \$800,000 remaining outstanding at 30 June 2017 as an unsecured loan. The loan is for an initial term of 12 months and accrues interest at a rate of 0% p.a.

During the previous financial year Treasure Wheel Global Limited also advanced the company \$1,620,000 by way of an unsecured loan. The loan was for an initial term of 12 months and accrued interest at a rate of 0% p.a. This loan, together with \$280,000 advanced in the current year, has been converted to a \$1,900,000 convertible note during the financial year recorded as a non-current liability above.

	Consolidated	
	2017	2016
	\$	\$
<b>Note 16      Non-current liabilities – Other financial liabilities</b>		
Other financial liabilities	1,500,000	1,500,000

The Group has agreements with Oliver Lennox-King (Lennox-King), whereby Lennox-King has paid a net \$1.5 million to the Group and in return the Group has agreed to pay Lennox-King a royalty equal to 1% of the gross value of coal sold from the tenements currently held by the Group, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin. The liability was initially recognised at fair value. Post initial recognition, the financial liability is accounted for in accordance with the Group policy for financial instruments set out in Note 1(n).

The royalty is only payable in the event of future production of coal.

The Group's exploration and evaluation activities have not progressed to a stage to allow more reliable measurement of any future royalty payment obligations. As such, the Board is of the view that the fair value at the time of the receipt of the funds remains the appropriate measure of fair value at reporting date.

When the Group acquired Surat Gas Pty Ltd it assumed liability for a 1% royalty payable in respect of future production of oil and gas in the Surat Basin, which represents a contingent liability which is only payable in the event of future production of oil and gas.

The Group's exploration and evaluation activities have not progressed to a stage to allow more reliable measurement of any future royalty payment obligations.



## Note 17 Issued capital

	Consolidated		Consolidated	
	2017	2016	2017	2016
	Shares	Shares	\$	\$
<b>(a) Share capital</b>				
(i) Ordinary shares				
Fully paid	1,115,385,048	982,051,715	64,685,198	62,713,530
(ii) Other equity securities				
Value of conversion rights				
– convertible notes	-	-	822,618	260,870
	<u>1,115,385,048</u>	<u>982,051,715</u>	<u>65,507,816</u>	<u>62,974,400</u>

### (b) Movements in ordinary share capital:

Date	Details	Number of Shares	Issue Price	\$
		<u>982,051,715</u>		<u>62,713,530</u>
1 July 2015	Balance			
	Placement of shares	-		-
30 June 2016	Balance	<u>982,051,715</u>		<u>62,713,530</u>
	Conversion of Convertible Note	133,333,333		2,000,000
	Costs associated with the Convertible Note	-		(28,332)
30 June 2017		<u>1,115,385,048</u>		<u>64,685,198</u>

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

### (d) Options

At balance date there were no options over ordinary shares of AustChina Holdings Limited on issue.

### (e) Other equity securities

The amount of \$822,618 (2016: \$260,870) shown for other equity securities is the value of the conversion rights relating to the convertible notes, details of which are shown in Note 15 and Note 16.

### (f) Conversion of Convertible Note

During the year 133,333,333 fully paid ordinary shares were issued on the conversion of \$2,000,000 convertible note.

### (g) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group includes equity attributable to equity holders, comprising of issued capital, reserves and accumulated losses. In order to maintain or adjust the capital structure, the company may issue new shares, sell assets to reduce debt or adjust the level of activities undertaken by the company.

The Group monitors capital on the basis of cash flow requirements for operational, and exploration and evaluation expenditure. The Group will continue to use capital market issues and joint venture participant funding contributions to satisfy anticipated funding requirements.

The Group has no externally imposed capital requirements. The Group's strategy for capital risk management is unchanged from prior years.

## Note 18 Reserves and accumulated losses

### (a) Reserves

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Share-based payments reserve	3,528,043	3,528,043
<b>Movements:</b>		
Balance 1 July	3,528,043	3,528,043
Share based payments	-	-
Balance 30 June	3,528,043	3,528,043

### (b) Accumulated losses

Balance 1 July	(55,173,755)	(52,701,805)
Loss for the year	(1,001,165)	(2,471,950)
Balance 30 June	(56,174,920)	(55,173,755)

### Nature and purpose of reserves

#### *Share based payments reserve*

The share-based payments reserve is used to recognise:

- (i) the grant date fair value of options issued to directors / contractors and vendors of assets
- (ii) the grant date fair value of performance rights issued to directors / contractors

## Note 19 Parent entity information

The following information relates to the parent entity, AustChina Holdings Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1 where applicable.

	2017 \$	2016 \$
Current assets	259,471	1,048,980
Non-current assets	8,976,684	7,927,927
<b>Total assets</b>	<b>9,236,155</b>	<b>8,976,907</b>
Current liabilities	1,111,795	3,818,615
Non-current liabilities	2,877,137	1,500,000
<b>Total liabilities</b>	<b>3,988,932</b>	<b>5,318,615</b>
Issued capital	65,507,816	62,974,400
Accumulated losses	(63,788,636)	(62,844,151)
Share based payment reserve	3,528,043	3,528,043
<b>Total equity</b>	<b>5,247,223</b>	<b>3,658,292</b>
<b>Profit or loss for the year</b>	<b>(944,485)</b>	<b>(594,090)</b>
<b>Total comprehensive income</b>	<b>(944,485)</b>	<b>(594,090)</b>

### Contingent liabilities

AustChina Holdings Limited has contingent liabilities at 30 June 2017 as detailed in Note 16.

### Guarantees

AustChina Holdings Limited has not guaranteed any debts of its subsidiaries.

## Note 20 Director and key management personnel disclosures

### Key management personnel compensation

	Consolidated 2017 \$	2016 \$
Short-term employee benefits	434,191	459,996
Post-employment benefits	3,800	3,800
	<b>437,991</b>	<b>463,796</b>

## Note 21 Remuneration of auditors

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
During the year the following fees were paid, payable or accrued for services provided by the auditor or, its related practices and non-related audit firms:		
<b>RSM Australia Partners</b>		
<i>Audit services</i>		
Audit and review of financial reports	42,500	24,000
Total remuneration for audit and other assurance services	42,500	24,000
<i>Other services</i>		
Independent expert report	20,000	-
Taxation services	5,000	5,000
Total remuneration for other services	25,000	5,000
<b>Total auditor remuneration</b>	<b>67,500</b>	<b>35,024</b>

## Note 22 Related parties

### (a) Parent entities

The parent entity and ultimate Australian parent entity within the group is AustChina Holdings Limited. The ultimate parent entity is Treasure Wheel Global Limited which at 30 June 2017 owned 59.64% (2016: 54.16%).

### (b) Subsidiaries

Interests in subsidiaries are set out in Note 26.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in Note 20.

### (d) Amounts payable to related parties

During the current financial year Treasure Wheel Global Limited advanced the company \$1,080,000 by way of an unsecured loan. \$280,000 of this loan was included in \$1,900,000 unsecured loan which was converted to a convertible note on 30 November 2016. The balance of the loan of \$800,000 is for an initial term of 12 months and is interest free.

During the previous financial year Treasure Wheel Global Limited also advanced the company \$1,680,000 by way of an unsecured loan. During the year the total of this loan as well as a further \$280,000 advanced during the current year, was converted to a convertible note.

Included in trade payables is an amount of \$192,500 (2016: \$82,500) which represents amounts payable to directors for unpaid directors' fees.

As at 30 June 2017 there is on issue 1 convertible note with a face value of \$1,900,000 (2016: \$2,000,000). The note is convertible into ordinary shares of the parent entity, at any time at the option of the holder, at a price equal to 10 day VWAP x 0.915 for the 10 days immediately before the conversion date.

## Note 23 Events occurring after reporting date

Since 30 June 2017 AustChina Holdings Limited has been advanced loan funds of \$200,000 from Treasure Wheel Global Limited. The loan is unsecured and for an initial period of 12 months. The loan is interest free.

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

## Note 24 Reconciliation of loss after income tax to net cash outflow from operating activities

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,001,165)	(2,471,950)
Exploration written off	71,040	1,899,625
Depreciation	4,810	6,691
Profit on sale of fixed assets	(400)	-
Share of loss from equity accounted investment	107,755	-
Finance costs:		
Interest costs	38,884	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	2,606	4,045
Increase/(decrease) in trade and other payables	146,797	21,583
Net cash outflow from operating activities	<u>(629,673)</u>	<u>(540,006)</u>

## Note 25 Commitments for expenditure

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Exploration commitments</b>		
Commitments for payments under exploration permits for coal and petroleum in existence at the reporting date but not recognised as liabilities payable is as follows:		
- payable within one year	9,785,000	15,430,000
- payable between one year and five years	8,842,000	24,612,000
	<u>18,627,000</u>	<u>39,742,000</u>

So as to maintain current rights to tenure of various exploration tenements, the Group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments are calculated on the assumption that each of these tenements will be held for its full term. But, in fact, commitments will decrease materially as exploration advances and ground that is shown to be unprospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, joint ventures, farm-outs, and new capital raisings.

## Note 26 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(b):

Name of entity	Principal Activities	Country of incorporation	Class of shares	Equity holding	
				2017 %	2016 %
Tambo Coal & Gas Pty Limited	Coal exploration	Australia	Ordinary	100	100
Moreton Energy Pty Ltd	Coal exploration	Australia	Ordinary	100	100
Coalbank Qld Pty Ltd	Coal exploration	Australia	Ordinary	100	100
Surat Gas Pty Ltd	Petroleum exploration	Australia	Ordinary	100	100

## Note 27 Earnings per share

	2017 Cents	2016 Cents
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to ordinary equity holders of the company	(0.09)	(0.25)
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>(0.09)</u>	<u>(0.25)</u>
<b>(b) Diluted earnings per share</b>		
From continuing operations attributable to ordinary equity holders of the company	(0.09)	(0.25)
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>(0.09)</u>	<u>(0.25)</u>

	2017 \$	2016 \$
<b>(c) Reconciliation of earnings used in calculating earnings per share</b>		
<i>Basic and diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share from continuing operations	(1,001,165)	(2,471,950)
	<u>(1,001,165)</u>	<u>(2,471,950)</u>

<b>(d) Weighted average number of shares used as the denominator</b>		
	2017 Number	2016 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	1,0546,937,560	982,051,715
Adjustments for calculation of diluted earnings per share:		
Options	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>1,0546,937,560</u>	<u>982,051,715</u>

## (e) Information concerning the classification of securities

*Options and rights*

There are no options or rights on issue at 30 June 2017.

## Note 28 Contingent liabilities

The Group has a contingent liability with respect to the royalty associated with the petroleum assets acquired with the purchase of Surat Gas Pty Ltd. The royalty agreement provides that the holder of the royalty is entitled to receive equal to 1% of any Wellhead Value of Petroleum produced on any of the permits currently held.

The liability cannot be calculated at this time as there is no basis on which to determine the potential future liability associated with this royalty.

## Note 29 Investments in Associate accounted for using equity method

During the prior year AustChina Holdings acquired 0.72% of the issued capital of Utilitas Group Pty Ltd, a company that is engaged in the Biogas Renewable Energy Sector, at a cost of \$28,849.

During the current year, a further 25% was acquired via a placement at a total cost of \$1,000,033, giving AustChina a total holding of 25.72%.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Opening carrying amount</b>	-	-
Additions through transfer from Investments	28,849	-
Additions through issue of new shares	1,000,033	-
Share of loss after income tax	(107,755)	-
		-
Closing carrying amount	921,127	-

More details on the operations of Utilitas Group is set out under the CEO's report and review of operations on pages 3 to 7.

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 September 2017.

### A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

<b>Class of equity security</b>	
<b>Ordinary Shares</b>	
1 – 1,000	63
1,001 – 5,000	28
5,001 – 10,000	136
10,001 – 100,000	298
100,001 and over	297
	<b>822</b>

There were 451 holders of less than a marketable parcel of ordinary shares.

### B. Equity security holders

#### *Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

<b>Name</b>	<b>Ordinary shares</b>	
	<b>Number Held</b>	<b>Percentage (%) of issued shares</b>
J P Morgan Nominees Australia Limited	665,239,694	59.64
KAMS Brother Holdings Limited	128,093,700	11.48
Ms Sihol Marito Gultom	32,400,000	2.90
Group 4 Solutions Pty Ltd	17,000,000	1.52
Global Project Engineering Pty Ltd	13,085,126	1.17
Leejames Nominees Pty Ltd	11,500,000	1.03
Mr Nicholas Playford Forgan	9,264,917	0.83
Mr Dobrivoj Kolundzija	8,931,846	0.80
Tre Pty Ltd	8,500,834	0.76
Mr Aaron Jermaine Proksa	7,200,000	0.65
Mr David Fagan	6,217,525	0.56
Mr Ianaki Semerdziev	6,025,675	0.54
Square Resources Pty Ltd	5,937,500	0.53
Mr Haresh Jayantibhai Patel	5,645,963	0.51
Mr Raymond Laurence Carroll	5,000,000	0.45
Ms Gayle Patric Doran	5,000,000	0.45
Dulcis Investments Pty Ltd	5,000,000	0.45
Campbell Marine Pty Ltd	4,918,346	0.44
Oliver Lennox-King	3,750,000	0.34
Mr Craig Sexton & Mrs Loren Sexton	3,635,274	0.33
	<b>952,346,400</b>	<b>85.38</b>

### C. Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the company at 29 September 2017 are:

	<b>Number held</b>	<b>Percentage</b>
Ordinary shares		
Treasure Wheel Global Limited	531,906,361	59.64%
Kam's Brother Holdings Limited	128,093,700	11.48%

### D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares  
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options  
No voting rights.



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[www.rsm.com.au](http://www.rsm.com.au)**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
AUSTCHINA HOLDINGS LIMITED****Opinion**

We have audited the financial report of AustChina Holdings Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated balance sheet as at 30 June 2017, 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 AustChina Holdings Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 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 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Material Uncertainty Related to Going Concern**

We draw attention to Note 3(iii) in the financial report, which indicates that the Group incurred a loss of \$1,001,165 for the year ended 30 June 2017 and, as at that date, the Group had a working capital shortfall of \$852,221. These conditions, along with other matters as set forth in Note 3(iii), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING**

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
<b><i>Carrying value of capitalised exploration expenditure</i></b> Refer to Note 12 in the financial statements	
<p>The Group has capitalised exploration expenditure with a carrying value of \$15.6m. We determined this to be a key audit matter due to the significant management judgment involved in assessing the carrying value in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, including:</p> <ul style="list-style-type: none"> <li>• Determination of whether expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest;</li> <li>• Assessing whether any indicators of impairment are present;</li> <li>• Determination of whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be determined.</li> </ul>	<p>Our audit procedures in relation to the carrying value of capitalised exploration costs included:</p> <ul style="list-style-type: none"> <li>• Ensuring that the right to tenure of the areas of interest was current through confirmation with the relevant government departments;</li> <li>• Critically assessing and evaluating management's assessment that no indicators of impairment existed;</li> <li>• Agreeing a sample of the additions to capitalised exploration expenditure during the year to supporting documentation, and ensuring that the amounts were correctly capitalised;</li> <li>• Through discussions with the Group's management team, and review of the Group's ASX announcements and other relevant documentation, assessing management's determination that exploration activities have not yet progressed to the point where the existence or otherwise of an economically recoverable mineral resource may be determined.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

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### **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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

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

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of AustChina Holdings Limited for the year ended 30 June 2017 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.



**RSM AUSTRALIA PARTNERS**



**Albert Loots**  
Partner

Brisbane, Queensland  
Dated: 29 September 2017

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