



ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2017

Directors' report

The directors of Mayur Resources Ltd (the “Company” or “Mayur”) submit herewith the annual report of the Company and the entities it controlled for the financial year ended 30 June 2017 (collectively “Group”). In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

Directors

The following persons were directors of Mayur Resources Ltd during the whole of the year under review and up to the date of this report, unless otherwise stated:

- Rob Neale (appointed on 17 July 2017)
- Paul Mulder (appointed on 3 July 2017)
- Paul McTaggart (appointed on 17 July 2017)
- Tim Crossley (appointed 3 July 2017)
- Frank Terranova (appointed on 3 July 2017)
- Lee Wei Hsiung (appointed 17 July 2017)
- Andrew McCasker (resigned 3 July 2017)
- Khoo Chin Lee (resigned 17 July 2017)

Robert Charles Neale (Non-Executive Chairman)

Mr Neale has extensive experience as a director and executive, including being the former MD and CEO of New Hope Corporation (NHC), Chairman and Non-Executive Director of WestSide Corporation Limited, Director of Northern Energy Corporation Limited, Independent Non-Executive Director of Planet Gas Limited, Non- Executive Director of Bridgeport Energy Limited, and Director of Arkdale Pty Ltd. Rob is also a Former President of the Queensland Resources Council and is a past Chairman of the Australian Coal Association Research Program. Rob is currently the Independent Chairman of the Port of Newcastle Ltd. Rob has over 45 years of operations and development experience in the resources sector.

Former directorships in last 3 years

Planet Gas Ltd, New Hope Corporation Ltd, Westside Corporation Ltd, Dart Energy Ltd.

Paul Mulder (Managing Director)

Mr Mulder has 23 years of successful executive management experience across operations, project development and commercial. Paul has been the Managing Director of Mayur Resources since March 2014. Prior to this, Paul spent six years working for Gina Rinehart's Hancock Prospecting Pty Ltd and its coal and infrastructure development projects. Paul was Project Director and Managing Director in leading a \$15bn mine port and rail development in Queensland, Australia. Prior to this Paul worked for BHP Billiton for 13 years in steel, coal and iron ore divisions in various senior management capacities. Paul is a Materials Engineer with an MBA, and is a former Director of the Queensland Resources Council.

Former directorships in last 3 years

Nil

Paul McTaggart (Non-Executive Director)

Mr McTaggart has over 35 years' experience in the metals and mining sector, principally in corporate finance, advisory and equity research. Former roles include Managing Director, Head of Global Metals and Commodities and Co-Head of Research with Credit Suisse, Managing Director roles with both HSBC and Morgan Stanley, Director, Head of Natural Resources with Ord Minnett, Senior Manager Corporate Advisory with Rothschild Australia and Manager, Corporate Advisory with Deloitte. Paul holds masters' degrees in business administration and applied finance and was ranked top Australian metals analyst for stock calls through Thomson Reuters Analyst Awards in 2016.

Former directorships in last 3 years

Nil

Frank Terranova (Non-Executive Director)

Mr Terranova is a Chartered Accountant with extensive experience as a director and executive for a wide range of Australian and international publicly listed companies, including Normandy Mining and Queensland Cotton Limited. He later became Chief Financial Officer and ultimately Managing Director of Allied Gold PLC, which was subsequently acquired by St Barbara Limited in 2012. He was Managing Director of Polymetals Mining Limited and led its transformation through a merger with Southern Cross Goldfields Limited in 2013 and oversaw the combined group's recapitalisation program. He is currently an Executive Director of AUSA Resources Limited.

Former directorships in last 3 years

Unity Mining Limited, MinQuest Limited, Southern Cross Goldfields Limited, Taruga Gold Limited, Chesser Resources Limited.

Tim Crossley (Executive Director)

Mr Crossley has extensive experience as a director and mining executive, having operated some of Australia's largest mining businesses including roles as Deputy CEO of ASX-listed Gloucester Coal, and President and Chief Operating Officer (COO) at BHP Billiton's West Australian Iron Ore business. Tim also held the position of Executive General Manager of carbon steel materials for Gina Rinehart's Hancock Prospecting Pty Ltd's Roy Hill project. Tim has also held senior roles in BHP's manganese business and metallurgical coal business and was a Director in ASX-listed VDM Group. Tim is also a former President of the Northern Territory Minerals Council and Executive Chairman of Trans-Tasman Resources.

Former directorships in last 3 years

Trans Tasman Resources Limited

Lee Wei Hsiung (Non-Executive Director)

Mr Lee Wei Hsiung is an employee in an executive position of Tricor Singapore Pte Ltd and has been appointed as a director of the Company for the purposes of satisfying requirements under the Companies Act that require a company incorporated in Singapore to have a minimum of one director who is ordinarily resident in Singapore.

Former directorships in last 3 years

Nil

Company Secretary

In the year ended 30 June 2017 Ecovis Bizcorp Management Pte Ltd provided Company Secretarial Services to the Company. Effective 25 July 2017, Ecovis Bizcorp Management Pte Ltd ceased to provide those services to the Company and was replaced by Tricor Singapore Pte Ltd.

Interests in the shares and options of the Company

As at the date of this report, the interests of the directors in the shares and options of Mayur Resources Ltd were:

| | Number of Ordinary Shares [#] | Number of Options over Ordinary Shares [#] |
|--------------------------------|---|--|
| Robert Charles Neale | 299,228 | 149,614 |
| Paul Levi Mulder | 58,885,714 | Nil |
| Paul McTaggart | 11,250 | 5,625 |
| Timothy Elgon Saville Crossley | 1,705,343 | 627,500 |
| Frank Terranova | Nil | Nil |
| Lee Wei Hsiung | Nil | Nil |

[#] Includes shares in which the Director has an indirect interest through associated entities.

Meetings of Directors

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

| Number of meetings held | Board Meetings | |
|--|---------------------------------------|-----------------------------|
| | Number of meetings eligible to attend | Number of meetings attended |
| Andrew McCasker (resigned 3 July 2017) | - | - |
| Khoo Chin Lee (resigned 17 July 2017) | - | - |

There were no board committees during the year ended 30 June 2017.

Dividends

No dividends were paid or declared since the start of the financial period to the date of this report. No recommendation for payments of dividends has been made.

Principal activities and review of operations

Mayur has a portfolio of projects in Papua New Guinea. The principal activities undertaken by the Group during the year summarised as follows:

Orokolo Bay Industrial Sands Project

Mayur's overall strategy prioritises the development of the Orokolo Bay Industrial Sands Project and the potential commencement of small scale production in 14 months from listing.

The Orokolo Bay Industrial Sands Project contains a JORC Inferred Resource of 173 million tonnes at 9.2 % iron, 107,000 tonnes of zircon, and 86 million tonnes of construction sand. Priority is given to a smaller tonnage level with a materially higher and/or refined grade fraction within this Resource that produces a specification deemed at this point to be acceptable to the end user market(s).

The Group delineated a JORC Resource and completed a PFS in mid-2016. The PFS included a JORC Indicated and Inferred Resource of 173 million tonnes at 9.2% iron, 86 million tonnes of construction sand and 107,000 tonnes of zircon. This was used to develop a mine planning schedule based on the extraction of 5 Mtpa of Run of Mine ore to produce a range of products via the prioritisation of a smaller tonnage level with materially higher and/or refined grade fractions within this resource that produces a product specification deemed at this point to be acceptable to the end user market(s). Such product range encompasses 1 Mtpa of industrial sands, 500,000 tpa of titanomagnetite (iron sands and magnetite dense medium separation) and a valuable heavy mineral concentrate containing crude zircon and other heavy minerals. These products are to be achieved via the utilization of magnetic and gravity separation of naturally fine grained material.

Port Moresby Limestone Project

The Port Moresby Limestone Project is located at surface on the coast, circa 25 km north of Port Moresby.

The Group has undertaken an initial drilling programme at a hole spacing that is intended to delineate JORC Reserve status. Initial lab test analysis and assaying of 63 surface samples has returned high-grade CaCO₃ results averaging 97% CaCO₃.

Feni Island Gold Copper Project

The Feni Island Gold Copper Project has a 650,000 Oz gold JORC Inferred Resource that the Group has delineated from collation and analysis of the large amount of historical drilling that has taken place on the island since the 1980s. This historic

work has identified widespread gold and copper mineralisation, the main feeder system at depth however remains undiscovered.

Basilaki/Sideia Copper Gold Project

The Group has entered into a binding letter agreement with a large scale North American copper gold developer/operator (investor) in relation to the Basilaki/Sideia Copper Gold Project and exploration works are currently being conducted under this agreement.

Depot Creek Coal Project

The Depot Creek Coal Project has a 11.2 Mt JORC Inferred Resource with 210 Mt regional Exploration Target. The Company's strategy is to use the coal from the Depot Creek Project as fuel to supply its domestic vertically integrated Lae Power Project, thereby decoupling the fuel supply cost from the international market.

Power Generation division

Mayur's Power Generation division has completed a full feasibility study for a 52.5MW (net) power station in Lae (Lae Power Project). Following a request by PNG Power Ltd (PNG's state-owned power company), Mayur submitted a Power Purchase Agreement (PPA) proposal. This is currently under assessment by PNG Power. The proposed PPA is a 25-year agreement to supply power to the Ramu grid that serves Lae and the surrounding region.

Corporate activities

The principal corporate activities undertaken by the Group during the year were preparatory activities for the Group's Initial Public Offering ('IPO') that concluded successfully subsequent to the year end with the Company listing on the Australian Stock Exchange on 21 September 2017.

Operating result

The Company reported a profit after tax of \$4,769,155 for the year ended 30 June 2017 (2016: loss after tax of \$1,746,302). The significant items affecting the profit after tax were:

- (a) Income from commercial debt forgiveness of \$6,532,996 pursuant to a Deed of Release of Debt entered into between the Company and Siecap Pty Ltd ('Siecap') under which Siecap agreed to the partial forgiveness of amounts owed by the Group under a loan agreement entered into between the Company and Siecap.
- (b) Impairment of exploration and evaluation expenditure amounting to \$633,804 in respect of a tenement that expired during the year and was not able to be renewed by the Group.
- (c) Expenses of \$305,591 incurred in relation to the Company's IPO that was concluded post year end. A further \$195,657 in IPO related costs were capitalised and will be deducted from the proceeds received from the IPO. These expenses included the costs of legal advisors, financial and accounting advisors and technical experts.

During the year the Group incurred exploration and evaluation cash expenditure amounting to \$3,371,928. The Group funded its operating and exploration activities utilising a \$1,256,619 non-interest bearing loan advanced by Shareholders and amounts totaling \$3,309,446 provided by Siecap under the Siecap loan agreement.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in subsequent periods other than that disclosed below -

- (a) Establishment of an incentive plan via an Employee Share Trust, with corresponding transfer of share based payments reserve of \$2,082,567 to issued capital.
- (b) Acquisition on 3 July 2017 of the non-controlling interests in the Singapore subsidiaries for shares in the parent entity (with a fair value of \$10,768,831) with a resulting transfer from equity attributable to NCI to equity attributable to owners of the parent entity (\$6,505,669) and creation of a non-controlling interest reserve (\$4,263,162 debit).

- (c) Acquisition on 4 July 2017 of 100% of the share capital in Waterford Limited, the owner of certain Coal tenements in PNG by issuance of 11% of the share capital in Mayur Power Generation PNG Ltd and 11% is the share capital of Mayur Energy PNG Ltd with a fair value of \$768,727.
- (d) Issuance of 621,542 shares in the Company to QMP Nominees Pty Ltd (310,771 shares) and MAYPNG Pty Ltd (310,771 shares) on 3 July 2017 for \$nil consideration as anti-dilutive shares resulting from the establishment of the Employee Share Trust noted in (a) above.
- (e) The issue on 20 September 2017 of 38,808,290 shares in the Company pursuant to an Initial Public Offering to raise \$15,523,316 before transaction costs.
- (f) The issue of 19,404,148 Loyalty Options to shareholders who subscribed for shares in the Initial Public Offering,
- (g) The issue of 1,337,856 Broker Options to the sponsoring broker for the Company's Initial Public Offering.
- (h) A partial repayment of \$1 million against loans received from shareholders and a partial repayment of \$1 million against loans received from Siecap Pty Ltd.
- (i) On 21 September 2017 the Company's shares commenced trading on the Australian Stock Exchange.

Likely developments and expected results of operations

Subsequent to the end of the financial year, the Company completed an Initial Public Offering to raise \$15,523,316 before transaction costs.

The Company's strategy is to apply those funds for the ongoing development of its portfolio of projects as follows:

- (a) Deliver a Definitive Feasibility Study (DFS) to enable a Final Investment Decision (FID) for the Orokolo Bay Industrial Sands Project and, if fully subscribed, also construct a trial scale pilot plant at the site to enable the potential export of up to 200,000 tonnes of product.
- (b) Deliver a JORC Resource / Reserve and a DFS for the commercialisation of the Port Moresby Limestone Project in parallel and linked to assessing JV development opportunities.
- (c) Secure the PPA for the Lae Power Project in readiness to commence financial close activities and continue to work with the Era Resources owned Yandera copper project in the provision of a power plant with a nameplate rating of about 200MW, whilst seeking other in-country power development opportunities in PNG.
- (d) Continue exploration activities on identified exploration targets within the Basilaki / Sideia copper gold tenement.
- (e) Conduct further exploration works across the remainder of the tenement portfolio in industrial and mineral sands, coal, copper and gold, and generally maintain the portfolio in good standing.
- (f) Seek new joint venture exploration and development opportunities for the highly prospective Feni and Sitipu

Environmental regulation

The Group was not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

Tenements

As at 30 June 2017 the Group had interests in the following mineral exploration licences:

| Country | Province | Exploration licence number | Expiry date |
|------------------|----------------------|----------------------------|-------------------|
| Papua New Guinea | W Highlands / Jiwaka | 2040 | 26 September 2018 |
| Papua New Guinea | Milne Bay | 2095 | 26 September 2018 |
| Papua New Guinea | New Ireland | 2096 | 4 August 2018 |
| Papua New Guinea | Gulf | 2150 | 18 December 2018 |
| Papua New Guinea | Gulf | 2266 | 13 May 2018 |
| Papua New Guinea | Gulf | 2267 | 1 December 2018 |
| Papua New Guinea | Gulf | 2268 | 1 December 2018 |
| Papua New Guinea | Western | 2269 | 13 May 2018 |
| Papua New Guinea | Gulf | 2297 | 1 December 2018 |
| Papua New Guinea | Central | 2303 | 13 May 2018 |
| Papua New Guinea | Gulf | 2304 | 13 May 2018 |
| Papua New Guinea | Gulf | 2305 | 13 May 2018 |

Significant changes in state of affairs

Other than as disclosed in this report and the accompanying financial report, there were no other significant changes in the Group's state of affairs during the course of the financial year.

Shares under Option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

| Grant Date | Vest Date | Expiry Date | Issue price of shares | Number under options |
|-------------------|-------------------|-------------------|-----------------------|----------------------|
| 21 September 2019 | 21 December 2017 | 21 September 2019 | \$0.56 | 5,185,501 |
| 21 September 2019 | 21 March 2018 | 21 September 2019 | \$0.56 | 5,185,501 |
| 21 September 2019 | 21 June 2018 | 21 September 2019 | \$0.56 | 5,185,501 |
| 21 September 2019 | 21 September 2018 | 21 September 2019 | \$0.56 | 5,185,501 |
| | | | | 20,742,004 |

An Option holder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue.

If the Company makes a rights issue, the exercise price of options on issue will not change.

If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules and the Corporations Act at the time of reorganisation.

No options were issued to directors as remuneration during the period or in the period between the reporting date and the date of this report.

Shares issued as a result of the exercise of options

No shares were issued during the financial year as a result of the exercise of options.

REMUNERATION REPORT

A. Remuneration paid to Key Management Personnel in the years ended 30 June 2017 and 30 June 2016

Key Management Personnel

The following persons were key management personnel of the Group during the financial year (unless noted otherwise the persons listed were key management personnel for the whole of the financial year):

| <i>Name</i> | <i>Position Held</i> |
|--|------------------------|
| Andrew McCasker (resigned 3 July 2017) | Non-Executive Director |
| Khoo Chin Lee (resigned 17 July 2017) | Non-Executive Director |

Other than the Non-Executive Directors named in the above table, the Group did not have any other directors, key management personnel or employees in the years ended 30 June 2017 and 30 June 2016.

The Group undertook its activities during the years 30 June 2017 and 30 June 2016 pursuant to a Development Services Agreement with Siecap Pty Ltd (Development Services Agreement). Siecap provided the following services to the Group to assist in the project development cycle of developing resource assets from a greenfield conceptual level:

- exploration and geological services;
- project and development management services; and
- commercial services and analytics.

Details of remuneration

No remuneration was paid to key management personnel in the year ended 30 June 2017 or 30 June 2016.

During the years ended 30 June 2017 and 30 June 2016 the Company was a privately-owned company and was not listed on any stock exchange and had not during those periods implemented remuneration policies or structures design to align the interests of shareholders, Directors, key management personnel and employees.

Director Interests in Contracts

For the year ended 30 June 2017 Ecovis Bizcorp Management Pte Ltd received S\$3,000 for the provision of Company Secretarial and audit services to the Company and the Group (2016: S\$3,000). Mr Khoo Chin Lee is an employee in an executive position of, and has an indirect interest in, the fees paid to Ecovis Bizcorp Management Pte Ltd.

Remuneration, Group performance and shareholder wealth

During the years ended 30 June 2017 and 30 June 2016 there was no relationship between remuneration and shareholder wealth as the Company was a private, unlisted company whose key management personnel received no remuneration.

Other disclosures relating to Key Management Personnel in the year ended 30 June 2017

During the years ended 30 June 2017 and 30 June 2016 there were no:

- i. Grants of options that affected remuneration in the current or will affect remuneration in a future reporting period.
- ii. Changes during the current or prior financial year in options over ordinary shares in the Group provided as remuneration to each director of Mayur Resources Ltd and each of the key management personnel of the Group.
- iii. Shares issued as a result of the exercise of options during the year.
- iv. Options over ordinary shares in the Company held during the financial year by any director or other key management personnel of the Company.
- v. Shares in the Company held during the financial year by any director or other key management personnel of the Company.

- vi. Shares granted during the reporting period as compensation.
- vii. Shares received by key management personnel on the exercise of options during the year.
- viii. Loans to key management personnel at any time during the financial year.
- ix. Other transactions with key management personnel.

Voting and comments made at the Company's 2016 Annual General Meeting

The Company was not required to conduct a shareholder vote on its remuneration report for the financial year ended 30 June 2016 as it was not a listed company at that time.

B. Changes in Non-Executive Directors, Key Management Personnel and Remuneration subsequent to 1 July 2017

As disclosed in the Review of Operations the Company commenced the process of undertaking an Initial Public Offering of its shares and listing its equity securities on the Australian Stock Exchange. The Company recognised that with the transition to a publicly listed company it would be necessary for the Company to appoint a Board comprising an appropriate mix of independent non-executive directors with relevant skills and experience and to engage a high calibre team of key management personnel to manage the Group's operations.

Effective 3 July 2017 the Company commenced the process of appointing new directors and engaging key management personnel. As at the date of this report the following were the key management personnel of the Group:

| <i>Name</i> | <i>Position Held</i> |
|---|------------------------|
| Rob Neale (appointed 17 July 2017) | Non-Executive Chairman |
| Paul McTaggart (appointed 17 July 2017) | Non-Executive Director |
| Frank Terranova (appointed 3 July 2017) | Non-Executive Director |
| Lee Wei Hsiung (appointed 17 July 2017) | Non-Executive Director |
| Paul Mulder (appointed 3 July 2017) | Managing Director |
| Tim Crossley (appointed 3 July 2017) | Executive Director |

Non-Executive Director remuneration

Each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive Directors must not exceed in aggregate the amount fixed by the Company in a general meeting. The aggregate remuneration for all non-executive Directors has currently been set at an amount of \$250,000 per annum, hence this provides opportunity to appoint another independent director in the future.

The Company has entered into non-executive director appointment letters with Mr Rob Neale, Mr Frank Terranova and Mr Paul McTaggart on the following key terms:

- i. \$90,000 per annum for Rob Neale as Chairman;
- ii. \$40,000 per annum plus participation in the Employee Incentive Plan (Loan Funded Shares only) for Frank Terranova as Director;
- iii. \$50,000 per annum for Paul McTaggart as Director

The above appointments shall cease if the non-executive Director:

- i. Resigns;
- ii. Is disqualified under the Corporations Act, the Companies Act or the Constitution from being a company director; or
- iii. Is removed as a director in accord with the Corporations Act, the Companies Act or the Constitution from being a company director.

The Company has entered into an agreement with Tricor Evatthouse Corporate Services (a division of Tricor Singapore Pte Ltd) (Tricor) for the provision of corporate secretarial services. In accordance with the terms of the agreement Lee Wei Hsiung has been appointed as a director (although it is agreed that he will not be responsible for the day to day management of the Company), and Ong Bee Choo and Pan Mi Keay have been appointed as secretaries of the Company. The estimated fee for the routine services is S\$3,000 per annum based on the current level of corporate activity of the Company. In addition, the fee

payable to Tricor in respect of Lee Wei Hsiung's position as a director is S\$3,000 per annum.

Key Management Personnel

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for Group and individual performance against agreed targets;
- Align the interest of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Components of remuneration

It is proposed that key management personnel remuneration will comprise the following elements:

i. Annual salary

Annual salary which will be paid as a mix of cash based remuneration and / or performance rights to receive Shares for a portion of the annual salary. The purpose of this arrangement is to conserve cash of the Company whilst it is in a non-producing status, but still secure senior executive management services of the appropriate calibre. To this end, key employees of the Company have agreed to be paid a proportion of their annual salary in the form of performance rights. Each performance right will entitle the holder to receive one Share.

The performance rights will vest annually over four equal three-monthly instalments and after vesting can be exercised at any time after being granted and prior to the expiry date of the Performance Rights, which will be detailed in each individual's invitation letter. The number of performance rights issued annually will be divided by the salary amount to be paid in the form of performance share rights divided by the prevailing share price (rounded down to the nearest whole number). The performance rights will not be subject to the payment of an exercise price.

Any new employees/contractors or employees/contractors that have not worked on behalf of the Company for a minimum of 12 months shall be restricted in exercising their performance rights until such time they have worked for and/or on behalf of the Company for a period of 12 months.

ii. EIP Performance Rights subject to vesting conditions – Short Term Incentive (STI) and Long Term Incentive (LTI)

Eligible employees (including employees, executive and non- executive directors, contractors and consultants) selected by the Board will be offered performance rights to acquire Shares. Each performance right entitles the employee to receive one Share.

The performance rights will be subject to time-based (years of service) and/or performance-based criteria.

a) *STI Performance Rights*

Due to the longer-term nature of what the Board believes to be value accretive milestones, an STI program will not be established immediately. The Board, however, at its sole discretion has the right in the future to set specific STIs for specific employees in accord with a similar framework as the LTI performance rights Plan.

b) *LTI Performance Rights*

Those eligible employees participating in the LTI will be granted a number of performance rights equal in value to their target LTI amount at a price of \$0.40 (being the subscription price for shares under the IPO).

The LTI performance rights will be granted at the start of the LTI performance period and will vest subject to the relevant LTI performance measures, as specified in their invitation letter, being met and the participant remaining employed.

The LTI performance rights shall be set up by the Board and shall be split and measured by:

- If the share price at any time within a three-year period is at a price 50% above the IPO price for the volume-weighted average price (VWAP) period for 10 days, otherwise the Performance Rights will lapse (50% weighting)
- Delivery Engineering and Project Development Milestones as outlined in this Prospectus (25% weighting)
- Material uplift to geological resource and reserve delineation as outlined in this Prospectus (25% weighting)
- Change of control of the Company (100% weighting)

At the date of this report no LTI Performance Rights had been granted.

iii. Loan Funded Shares and Rights Issue

Eligible employees (including employees, executives and contractors) selected by the Board will be offered the opportunity to receive rights and / or acquire loan funded Shares at the share market value at the time the regime is instituted.

Pursuant to the terms of the EIP, the Board will offer where the loan funded shares are instituted, employees an interest free limited recourse loan to assist in the purchase of Shares, with the Shares acquired at their market value. The loan will be limited recourse so that at any time (subject to any restrictions) the employee may divest their Shares in full satisfaction of the loan balance (subject to service related restrictions outlined below).

Any new employees/contractors or employees/contractors that have not worked on behalf of the Company for a minimum of 12 months shall be restricted in disposing of loan funded shares until such time they have worked for and/or on behalf of the Company for a period of 12 months. Should an employee/contractor that has been provided loan funded shares leave before completing the 12-month work period or be terminated (for performance-related issues), the loan funded shares shall be forfeited with the Company able to deal with the forfeited Shares as provided for under the Plan Rules.

Service Agreements

Paul Mulder

The Company has entered into an employment contract with Mr Paul Mulder in respect to his employment as the Managing Director of the Company. The principal terms of the Managing Director Services Agreement are as follows:

- Effective date 1 July 2017
- Annual salary of \$424,000 plus superannuation payable as follows:
 - \$212,000 payable in cash
 - \$212,000 payable in shares in the Company to be issued in quarterly instalments at an issue price equal to the 10-day VWAP of the Company's shares prior to issue.
- To be granted 3,000,000 shares in the Company vesting in accordance with the Long-Term Incentive component of the Employee Incentive Plan.
- To be granted 3,000,000 shares in the Company vesting in accordance with the Loan Funded Shares and Rights Issue.

The Company may terminate Mr Mulder's employment contract by giving nine months' notice in writing or nine months' pay in lieu of notice, or a combination of notice and payment in lieu of notice. Mr Mulder may resign as Managing Director of the Company by giving three months' notice in writing

Tim Crossley

The Company has entered a contract with Mr Tim Crossley in respect to his employment as an Executive Director of the Company. The principal terms of the Executive Director Services Agreement are as follows:

- Effective date 1 July 2017
- Annual salary of \$175,000 (50% time basis) plus superannuation payable as follows:
 - \$87,500 payable in cash
 - \$87,500 payable in shares in the Company to be issued in quarterly instalments at an issue price equal to the 10-day VWAP of the Company's shares prior to issue.
- To be granted 1,125,000 shares in the Company vesting in accordance with the Long-Term Incentive component Employee Incentive Plan. This may be increased to a maximum of 2,250,000 shares if the Mr Crossley works additional hours.

- To be granted 1,125,000 shares in the Company vesting in accordance with the Loan Funded Shares and Rights Issue. This entitlement may be increased to a maximum of 2,250,000 shares if the Mr Crossley works additional hours.

The Company may terminate Mr Crossley's employment contract by giving three months' notice in writing or nine months' pay in lieu of notice, or a combination of notice and payment in lieu of notice. Mr Crossley may resign as Executive Director of the Company by giving three months' notice in writing.

End of Remuneration Report

Summary of proposed remuneration (provided for information purposes only)

| | Cash salary and fees \$ | Superannuation \$ | Cash settled remuneration \$ | Remuneration to be provided as equity \$ | Total proposed remuneration \$ |
|---|-------------------------------|----------------------|------------------------------------|---|---|
| Non-Executive Directors | | | | | |
| Rob Neale | 82,192 | 7,808 | 90,000 | - | 90,000 |
| Paul McTaggart | 45,662 | 4,338 | 50,000 | - | 50,000 |
| Frank Terranova | 36,530 | 3,470 | 40,000 | - | 40,000 |
| Lee Wei Hsiung [@] | - | - | - | - | - |
| Total Non-Executive Directors | 164,384 | 15,616 | 180,000 | - | 180,000 |
| Other Key Management Personnel | | | | | |
| Paul Mulder | 212,000 | 18,020 | 230,020 | 230,020 | 460,040 |
| Tim Crossley (50% part time)* | 87,500 | 7,437 | 94,937 | 94,937 | 189,874 |
| Total Other Key Management Personnel | 299,500 | 25,457 | 324,957 | 324,957 | 649,914 |
| Total Key Management Personnel | 463,884 | 41,073 | 504,957 | 324,957 | 829,914 |
| | | | | | |

[@] In relation to Lee Wei Hsiung's position as a director, the Company is liable to pay an annual fee of S\$3,000 to Tricor Singapore Pte Ltd which Company provides Company Secretarial services to the Group.

[#] Minimum allocation prorated adjusted should executive hours increase beyond 50%. # subject to change depending on the prevailing share price at the time of award.

Insurance of officers

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, 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. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Group

The Group is not aware that any person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings in which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the court under section 237 of the Corporations Act 2001.

Non-audit Services

Non-audit fees paid to other auditors represents fees amounting to \$35,000 paid for the preparation of an Investigating Accountant's Report for inclusion in the prospectus for the Company's initial public offering.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

Auditor

Pitcher Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

Rounding of amounts in accordance with ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2017/191

The amounts in the Directors' report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors.



Paul Mulder
Managing Director
Brisbane, 29 September 2017



Rob Neale
Chairman
Brisbane, 29 September 2017



PITCHER PARTNERS

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KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

The Directors
Mayur Resources Ltd
Level 7, 300 Adelaide Street
Brisbane QLD 4000

Auditor's Independence Declaration

As lead auditor for the audit of Mayur Resources Ltd for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of APES110 *Code of Ethics for Professional Accountants* in relation to the audit.

This declaration is in respect of Mayur Resources Ltd and the entities it controlled during the period.

Pitcher Partners

PITCHER PARTNERS

JASON EVANS
Partner

Brisbane, Queensland
29 September 2017



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INDEPENDENT AUDITOR'S REPORT

To the members of Mayur Resources Ltd,

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mayur Resources Ltd (the Company) and its controlled entities (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 cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We 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.

Key Audit Matters

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

| Key audit matter | How our audit addressed the matter |
|---|--|
| Exploration and evaluation expenditure - Impairment <i>Refer to Note 3: Critical accounting judgements and key sources of estimation uncertainty</i> | |
| <p>The Group is involved in exploration and evaluation activities with a focus on Industrial Minerals, Copper/Gold and Coal. The Group has exploration licences and prospective projects in Papua New Guinea.</p> <p>Exploration and evaluation expenditure totalling \$13,617,232 as disclosed in Notes 3 & 10 represent a significant balance recorded in the consolidated balance sheet.</p> <p><i>AASB 6 Exploration for and Evaluation of Mineral Resources</i> require the Exploration and evaluation assets to be assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.</p> <p>Management performed an impairment assessments at 30 June 2017 that required significant assumptions in determining whether impairment indicators exist.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Obtained an understanding of the status of ongoing exploration programmes and future intentions for the areas of interest, including future budgeted spend and related work programmes; Verified a sample of additions to the group's exploration and evaluation assets for the year ending 30 June 2017 to support evidence of activities carried out; and Verified each exploration licence remains valid in respect of each tenement through the review of official government documentation. <p>We also assessed the appropriateness of the accounting treatment and disclosure in terms of AASB6.</p> |

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 our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements

regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Mayur Resources Ltd 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.

Pitcher Partners

PITCHER PARTNERS



JASON EVANS
Partner

Brisbane, Queensland
29 September 2017

Consolidated statements of profit or loss and other comprehensive income

| | | <i>For the financial year ended 30 June</i> | |
|---|--------------|---|--------------------|
| | <i>Notes</i> | <i>2017 \$</i> | <i>2016 \$</i> |
| Revenue | 4 | 6,572,873 | 1,358 |
| Less: expenses | | | |
| Exploration and evaluation expenditure written off | 10 | (837,671) | (1,730,784) |
| Consultants and contractors | | (223,899) | - |
| Professional fees | | (78,919) | - |
| Other cost related to initial public offering | | (305,591) | - |
| Audit fees | 5 | (111,000) | - |
| Net foreign exchange loss | | - | (10,994) |
| Other operating expenses | | (246,638) | (5,882) |
| Profit / (loss) before income tax expense | | 4,769,155 | (1,746,302) |
| Taxation | 7 | - | - |
| Profit / (loss) for the year | | 4,769,155 | (1,746,302) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income / (loss) for the year | | 4,769,155 | (1,746,302) |
| Profit / (loss) for the period attributable to: | | | |
| - Owners of Mayur Resources Ltd | | 5,033,021 | (1,190,322) |
| - Non-controlling interests | | (263,866) | (555,980) |
| | | 4,769,155 | (1,746,302) |
| Total comprehensive income / (loss) for the period attributable to: | | | |
| - Owners of Mayur Resources Ltd | | 5,033,021 | (1,190,322) |
| - Non-controlling interests | | (263,866) | (555,980) |
| | | 4,769,155 | (1,746,302) |
| Basic and diluted earnings / (loss) per share attributable to owners of Mayur Resources Limited (cents per share) | 8 | 8.59 | (2.03) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Mayur Resources Ltd
Financial Report for the year ended 30 June 2017

Consolidated balance sheets

| | | <i>As at 30 June</i> | |
|---|--------------|----------------------|--------------------|
| | <i>Notes</i> | 2017 \$ | 2016 \$ |
| Current assets | | | |
| Cash and cash equivalents | 12 | 501,879 | 174,852 |
| Prepayments | 13 | 195,657 | - |
| Total current assets | | 697,536 | 174,852 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 489,374 | 208,093 |
| Exploration and evaluation expenditure | 10 | 13,617,232 | 11,082,975 |
| Total non-current assets | | 14,106,606 | 11,291,068 |
| Total assets | | 14,804,142 | 11,465,920 |
| Current liabilities | | | |
| Trade and other payables | 14 | 3,476,423 | 6,811,165 |
| Loans | 15 | 1,256,619 | - |
| Total current liabilities | | 4,733,042 | 6,811,165 |
| Total liabilities | | 4,733,042 | 6,811,165 |
| Net assets | | 10,071,100 | 4,654,755 |
| Equity | | | |
| <i>Equity attributable to owners of the Company</i> | | | |
| Share capital | 16 | 2,038,237 | 2,038,237 |
| Reserves | 17 | 2,082,586 | 1,435,396 |
| Retained earnings | | (555,392) | (5,588,413) |
| | | 3,565,431 | (2,114,780) |
| Non-controlling interests | 11 | 6,505,669 | 6,769,535 |
| Total equity | | 10,071,100 | 4,654,755 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated statement of changes in equity

| | Contributed equity \$ | Reserves \$ | Retained earnings \$ | Non- controlling interests \$ | Total Equity \$ |
|---|-----------------------------|------------------|----------------------------|--|-----------------------|
| 2017 | | | | | |
| Balance as at 1 July 2016 | 2,038,237 | 1,435,396 | (5,588,413) | 6,769,535 | 4,654,755 |
| Profit for the year | - | | 5,033,021 | (263,866) | 4,769,155 |
| Total comprehensive income for the year | - | | 5,033,021 | (263,866) | 4,769,155 |
| Transactions with owners in their capacity as owners: | | | | | |
| Share based payments capitalised | - | 647,190 | - | - | 647,190 |
| Total transactions with owners in their capacity as owners | - | 647,190 | - | - | 647,190 |
| Balance as at 30 June 2017 | 2,038,237 | 2,082,586 | (555,392) | 6,505,669 | 10,071,100 |
| 2016 | | | | | |
| Balance as at 1 July 2015 | 2,514,098 | 752,799 | (4,398,091) | 5,609,025 | 4,477,831 |
| Profit for the year | - | - | (1,190,322) | (555,980) | (1,746,302) |
| Total comprehensive income for the year | - | - | (1,190,322) | (555,980) | (1,746,302) |
| Transactions with owners in their capacity as owners: | | | | | |
| Contributions | 686,457 | - | - | 1,716,490 | 2,402,947 |
| Buy-backs | (1,162,318) | - | - | - | (1,162,318) |
| Share based payments capitalised | - | 682,597 | - | - | 682,597 |
| Total transactions with owners in their capacity as owners | (475,861) | 682,597 | - | 1,716,490 | 1,923,226 |
| Balance as at 30 June 2016 | 2,038,237 | 1,435,396 | (5,588,413) | 6,769,535 | 4,654,755 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated cash flow statement

| | | <i>For the year ended 30 June</i> | |
|---|--------------|-----------------------------------|--------------------|
| | <i>Notes</i> | <i>2017</i> \$ | <i>2016</i> \$ |
| Profit / (loss) before tax | | 4,769,155 | (1,746,302) |
| <u>Adjustments for:</u> | | | |
| Interest income | | (32) | (1,358) |
| Income from commercial debt forgiveness | | (6,532,966) | - |
| Impairment of capitalised exploration and evaluation expenditure | | 837,671 | 1,730,784 |
| Net foreign exchange differences | | (39,875) | 10,997 |
| Total adjustments | | (5,735,202) | 1,740,423 |
| Operating cash flows before changes in working capital | | (966,047) | (5,879) |
| <u>Changes in working capital:</u> | | | |
| Decrease / (increase) in prepayments | | (195,652) | - |
| Increase / (decrease) in trade and other payables | | (111,351) | - |
| Total changes in working capital | | (307,003) | - |
| Cash flows used in operations | | (1,273,050) | (5,879) |
| Interest received | | 32 | 1,358 |
| Net cash flows used in operating activities | | (1,273,018) | (4,521) |
| Cash flow from investing activities | | | |
| Payments for property, plant and equipment | | (281,281) | (208,093) |
| Payments for exploration and evaluation expenditure | | (2,724,758) | (2,332,333) |
| Receipts from repayment of loans to shareholders | | - | 40,912 |
| Net cash used in investing activities | | (3,006,039) | (2,499,514) |
| Cash flow from financing activities | | | |
| Proceeds from share issue - parent | | - | 686,457 |
| Proceeds from share issue – non-controlling interests | | - | 1,716,490 |
| Share redemption payments | | - | (1,162,318) |
| Proceeds from borrowing - Siecap | | 3,309,446 | 533,589 |
| Proceeds from borrowings - Shareholders | | 1,256,619 | - |
| Net cash provided by financing activities | | 4,566,065 | 1,774,218 |
| Reconciliation of cash and cash equivalents | | | |
| Cash and cash equivalents at 1 July | | 174,852 | 915,666 |
| Net increase / (decrease) in cash and cash equivalents | | 287,008 | (729,817) |
| Foreign exchange difference on cash and cash equivalents | | 40,019 | (10,997) |
| Cash and cash equivalents at 30 June | 12 | 501,879 | 174,852 |
| Non-cash financing and investing activities – share based payments capitalised to exploration and evaluation assets | 17 | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Notes to the financial statements

1. Corporate information

Mayur Resources Ltd, formerly Mayur Resources Pte Ltd, (the 'Company') is a limited liability company incorporated in Singapore. On 21 September 2017, the Company listed on the Australian Stock Exchange.

The registered office of the Company is located at 80 Robinson Road #02-00 Singapore 068898. The principal place of business is Level 7, 300 Adelaide Street, Brisbane QLD, 4000, Australia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in note 11 to the financial statements.

2. Summary of significant accounting policies

(a) Statement of compliance

The financial statements comprise the consolidated financial statements of the Group consisting of Mayur Resources Limited and its subsidiaries. The Company is a for-profit entity for the purpose of preparing the financial statements.

These financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with the other requirements of the law. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 29 September 2017.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB2 and measurements that have some similarities to fair value but are not fair value such as value in use in AASB136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

(c) Going concern

These 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 at 30 June 2017 the Group's current liabilities exceeded its current assets by \$4,035,506. During the financial year ended 30 June 2017 the Group was dependent upon the ongoing support of its shareholders and shareholder related entities, specifically Siecap Pty Ltd, to provide funding to the Group to ensure the continuance of its activities.

As at 30 June 2017, the ability of the Group to continue as a going concern is principally dependent upon the following conditions:

- i. the ongoing support from its shareholders and shareholder related entities;
- ii. the ability of the Group to successfully raise capital, as and when necessary;
- iii. the ability to complete successful exploration and subsequent exploitation of the areas of interest.

These conditions gave rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern as at 30 June 2017.

Subsequent to 30 June 2017, the Company was successful in raising \$15,523,316 before costs pursuant to an Initial Public Offering (refer note 24). The IPO funds will be utilised by the Group to partially repay amounts owing to shareholders and shareholder related entities, fund the Group's planned exploration and evaluation activities and for general working capital purposes.

Taking into consideration the funds raised by the Group pursuant to the Initial Public Offering, the directors consider that the going concern basis of preparation is appropriate.

This Financial Report does not include adjustments relating to the recoverability and classification of recorded set amounts, or to the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

(d) Changes in accounting policies and disclosures

The accounting policies and disclosures applied in the preparation of these financial statements are consistent with the accounting policies and disclosures applied in the preparation of the prior period financial statements except that the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 July 2016. The adoption of these standards did not have any effect on the financial performance or financial position of the Group or the Company.

(e) New standards and interpretations

Adoption of New and Revised Standards

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations On Issue Not Yet Adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

(f) Basis of consolidation

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests in the result of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position respectively. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(g) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether noncontrolling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

(g) Business combinations and goodwill (continued)

On acquisition, the assets, liabilities and contingent liabilities of the Company's subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on consolidation is recognised as an asset in the consolidated balance sheet and tested annually for impairment and any impairment is accounted for as a reduction in the value of the asset. Goodwill is considered to have an indefinite useful life.

Where there is an acquisition of an increased share of an existing subsidiary's net assets after the Company has previously gained, or had effective control of the decision making of the subsidiary, such that there is no dilution or loss of effective control in the subsidiary, then the transaction is accounted for in equity and reserves in the consolidated balance sheet. This particular type of acquisition transaction does not add to the value of goodwill on consolidation.

(h) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(i) Foreign currency

The financial statements are presented in Australian Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of each of the Company's subsidiaries was determined to be the Australian Dollar.

Transactions in currencies different to the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on the settlement of monetary items are recognised in the statement of total comprehensive income.

On consolidation, the assets and liabilities of foreign subsidiaries are translated to Pounds Sterling at the rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rates for the period. Exchange differences are recognised within other comprehensive income in the consolidated statement of total comprehensive income.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Subsidiaries that have a functional currency different from the presentation currency of the group are translated as follows:

- i. Assets and liabilities are translated at the closing rate on reporting date;
- ii. Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

(k) Income tax

a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

(k) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(m) Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(n) Contingencies

A contingent liability is:

- a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

(o) Financial instruments

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Initial recognition and measurement

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

(o) Financial instruments

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Loans and receivables

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

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

(p) Property plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

(q) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and valuation assets on an area of interest basis. Costs incurred before the group has obtained legal rights to explore an area are expensed in the profit or loss.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- i. the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
- ii. activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

(q) Exploration and evaluation expenditure (continued)

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and the facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generation unit shall not be larger than the area of interest.

Once technical feasibility and commercial viability of the area of interest are demonstrable, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified from exploration and evaluation assets to property and development assets within property, plant and equipment.

(r) Share based payments

The economic entity makes equity-settled share based payments to directors, employees and other parties for services provided or the acquisition of exploration assets. Where applicable, the fair value of the equity is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using the Black and Scholes option valuation pricing model which incorporates all market vesting conditions. Where applicable, the number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the fair value of services rendered by other parties can be reliably determined, this is used to measure the equity-settled payment.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the non-executive directors.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS requires management to make estimates, assumptions and judgements that affect the application of policies, and reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from reported amounts in the financial statements. The estimates, assumptions and judgements which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are:

Impairment exploration and evaluation expenditure

At 30 June 2017, the carrying value of exploration and evaluation assets of the group was \$13,617,232 (2016: \$11,082,975). Exploration and evaluation assets are assessed for impairment in accordance with the accounting policy disclosed in Note 2(q). The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances. These estimates and assumptions may change as new information becomes available. If after having capitalised expenditure under the accounting policy a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be expensed in the statement of comprehensive income.

Notes to the financial statements

| | <i>2017</i> \$ | <i>2016</i> \$ |
|---|-------------------------|---------------------|
| 4. Revenue | | |
| Interest income – cash and cash equivalents | 32 | 1,358 |
| Foreign exchange gain | 39,845 | - |
| Income on forgiveness of commercial debt | <u>6,532,996</u> | <u>-</u> |
| | <u><u>6,572,873</u></u> | <u><u>1,358</u></u> |

On 27 June 2017, the Group executed a Deed of Release of Debt with Siecap, pursuant to which Siecap agreed to release the Group from the obligation to pay the sum of \$6,532,996 to Siecap under the loan agreement. This amount has been recognised as income in the statement of comprehensive income. Refer note 14 and note 23 for further information regarding the Group's dealings with Siecap Pty Ltd.

5. Auditor's remuneration

| | <i>2017</i> \$ | <i>2016</i> \$ |
|---------------------------|-------------------|-------------------|
| Audit fees: | | |
| - Auditors of the Company | 35,000 | - |
| - Other auditors | 76,000 | 55,000 |
| Non-audit fees | | |
| - Auditors of the Company | - | - |
| - Other auditors | 35,000 | - |

Non-audit fees paid to other auditors represents fees paid for the preparation of an Investigating Accountant's Report for inclusion in the prospectus for the Company's IPO is included in prepaid capital raising costs (refer note 13).

6. Segment analysis

For management purposes, the Group is organised into the following business units:

- Industrial minerals which includes construction sands, magnetite sands, heavy mineral sands and limestone. The focus of this business unit is the development of the Orokolo Bay Industrial Sands Project located along the southern coast of Papua New Guinea and the Port Moresby Lime Project.
- Copper and gold comprising the Group's interests in the Feni Island Project in the New Ireland Province of Papua New Guinea, the Basilaki / Sideia project in Milne Bay Province and the Sitipu Project in the Eastern Highlands province of Papua New Guinea.
- Coal and power comprising the Depot Creek coal resource in the Gulf Project of Papua New Guinea and which is developing a proposal for vertically integrated domestic power projects in Papua New Guinea with an initial focus on the Lae region.
- Corporate which provides Group-level corporate services and treasury functions.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Notes to the financial statements

6. Segment analysis (continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on actual expenditure incurred, including capitalised expenditure which differs from operating profit or loss reported in the consolidated financial statements.

Accounting policies adopted

The Chief Operating Decision Maker assesses the performance of the operating segments based on a measure of gross expenditure that includes both expenditure that is capitalised in these financial statements and expenditure that is expensed in the income statement in these financial statements. The measurement of gross expenditure does not include the impairment of exploration expenditure but does include non-cash items such as depreciation expense and share based payments expense. Interest and other items of revenue are allocated to the Corporate segment. Inter-segment assets and liabilities are excluded. External liabilities are allocated wholly to the Corporate segment.

| | Industrial Minerals \$ | Copper and Gold \$ | Coal and Power \$ | Corporate \$ | Per Consolidated Financial Statements \$ |
|--|------------------------------|--------------------------|-------------------------|-----------------|---|
| 2017 | | | | | |
| Revenue | - | - | - | - | - |
| <i>Results:</i> | | | | | |
| Interest income | - | - | - | 32 | 32 |
| Income from commercial debt forgiveness | - | - | - | 6,532,996 | 6,532,996 |
| Impairment of exploration and evaluation expenditure | (70,912) | (766,759) | - | - | (837,671) |
| Segment profit / (loss) | (70,912) | (766,759) | - | 5,606,826 | 4,769,155 |
| <i>Assets:</i> | | | | | |
| Exploration and evaluation expenditure | 7,047,047 | 3,366,877 | 3,203,308 | - | 13,617,232 |
| Segment assets | 7,098,118 | 3,403,711 | 3,693,693 | 596,377 | 14,804,141 |
| Segment liabilities | - | - | - | - | 4,733,042 |
| 2016 | | | | | |
| Revenue | - | - | - | - | - |
| <i>Results:</i> | | | | | |
| Interest income | - | - | - | 1,358 | 1,358 |
| Impairment of exploration and evaluation expenditure | (949,934) | (780,850) | - | - | (1,730,784) |
| Segment profit / (loss) | (971,601) | (789,637) | (1,465) | 16,401 | (1,746,302) |
| <i>Assets:</i> | | | | | |
| Exploration and evaluation expenditure | 5,350,422 | 3,601,665 | 2,130,888 | - | 11,291,068 |
| Segment assets | 5,361,015 | 3,604,582 | 2,348,802 | 151,521 | 11,465,920 |
| Segment liabilities | - | - | - | 6,811,165 | 6,811,165 |

Geographical information

The Group's non-current assets are all located in Papua New Guinea.

Notes to the financial statements

7. Taxation

| | 2017 \$ | 2016 \$ |
|---|-------------|-------------|
| (a) Income tax benefit | | |
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |
| (b) Reconciliation of income tax expense to prima facie income tax | | |
| Profit /(loss) before income tax | 4,769,155 | (1,746,302) |
| Tax at the Australian tax rate of 30% (2016: 30%) | 1,430,747 | (523,891) |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-deductible expenses | 251,301 | 519,235 |
| Non-assessable income | (1,959,890) | (4,565) |
| Deferred tax assets not recognised | 277,842 | 8,235 |
| Income tax benefit /expense | - | - |
| (d) Deferred tax assets / liabilities comprise | | |
| Accruals | 184,996 | - |
| Unrealised foreign exchange gains | (11,963) | 9,480 |
| Prepayments | (58,697) | - |
| Tax losses available for offset against future taxable income | - | 29,842 |
| Net deferred tax assets | 114,336 | 39,322 |
| Deferred tax assets not recognised | (114,366) | (39,322) |
| | - | - |
| (e) Unrecognised deferred tax assets | | |
| Deferred tax assets have not been recognised in respect of the following items: | | |
| Temporary differences and tax losses at 30% (2016: 30%) | 114,366 | 39,322 |

Notes to the financial statements

8. Earnings per share

The earnings per share was calculated on the basis of net loss attributable to equity shareholders divided by the weighted average number of ordinary shares. The basic and diluted loss per share is the same, as the Company did not have any dilutive potential ordinary shares on issue during the period covered by these financial statements.

The following tables reflect the profit / (loss) and share data used in the computation of basic and diluted earnings per share for the years ended 30 June

| | 2017 \$ | 2016 \$ |
|--|------------------|--------------------|
| Profit / (loss) for the year attributable to owners of the Company | <u>5,033,021</u> | <u>(1,190,322)</u> |

| | 2017 Number of shares | 2016 Number of shares |
|--|-----------------------------|--------------------------|
| Weighted average number of potential ordinary shares that are not currently dilutive | <u>58,548,009</u> | <u>58,548,009</u> |

9. Property, plant and equipment

| | 2017 \$ | 2016 \$ |
|-------------------------------------|----------------|----------------|
| Total property, plant and equipment | <u>489,374</u> | <u>208,093</u> |

Power Plant Assets

The Group has commenced feasibility studies and negotiations to obtain approvals for a coal fired electricity power plant to operate in Lae, Morobe Province and supply electricity to PNG Power Limited. The capitalised costs relate to expenditure incurred as at 30 June 2017 in respect of the proposed project.

| Reconciliation of movements in Power Plant assets | 2017 \$ | 2016 \$ |
|---|----------------|----------------|
| Balance at 1 July | 208,093 | - |
| Additions | <u>281,281</u> | <u>208,093</u> |
| Balance at 30 June | <u>489,374</u> | <u>208,093</u> |

Notes to the financial statements

10. Exploration and evaluation expenditure

| | 2017 \$ | 2016 \$ |
|-----------------------------------|-------------------|-------------------|
| Exploration and evaluation phases | <u>13,617,232</u> | <u>11,082,975</u> |

Exploration and Evaluation Assets

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Group has entered into an earn-in agreement with Waterford Limited, a PNG registered company whereby exploration work will be carried out on Waterford's coal tenements and once geological and cash milestones have been reached, the Group has a call option to purchase the entire issued share capital of Waterford Limited. Costs incurred in compliance with the agreement have been capitalised into exploration and evaluation expenditure pending a final investment decision. Subsequent to 30 June 2017, the Group acquired the entire issued share capital of Waterford (refer Note 24).

Reconciliations

Exploration expenditure

| | 2017 \$ | 2016 \$ |
|---|-------------------|--------------------|
| Reconciliation of movements in exploration and evaluation assets | | |
| Balance at 1 July | 11,082,975 | 9,101,085 |
| Exploration and evaluation expenditure during the year (a) | 3,371,928 | 3,712,674 |
| Exploration and evaluation expenditure written off | <u>(837,671)</u> | <u>(1,730,784)</u> |
| Balance at the end of 30 June | <u>13,617,232</u> | <u>11,082,975</u> |

(a) Includes service fees and costs incurred by Siecap (refer note 23) and costs settled by way of share based payments (refer note 17).

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Notes to the financial statements

11. Subsidiaries

(a) The following are the group's significant subsidiaries:

| Subsidiaries of Mayur Resources Ltd: | Country of incorporation | Principal Activity | Ownership interest held by the group | |
|--------------------------------------|--------------------------|---------------------|--------------------------------------|-------|
| | | | 2017 | 2016 |
| MR Exploration PNG Pte Ltd | Singapore | Investment | 68.5% | 68.5% |
| MR Iron PNG Pte Ltd | Singapore | Investment | 68.5% | 68.5% |
| MR Energy PNG Pte Ltd | Singapore | Investment | 68.5% | 68.5% |
| MR PNG DRI & Steel Making Pte Ltd | Singapore | Investment | 68.5% | 68.5% |
| MR Power Generation Pte Ltd | Singapore | Investment | 68.5% | 68.5% |
| Mayur Exploration PNG Limited* | Papua New Guinea | Mineral exploration | 68.5% | 68.5% |
| Mayur Iron PNG Limited* | Papua New Guinea | Mineral exploration | 68.5% | 68.5% |
| Mayur Energy PNG Ltd* | Papua New Guinea | Coal exploration | 68.5% | 68.5% |
| Mayur PNG DRI & Steel Making Ltd* | Papua New Guinea | Steel | 68.5% | 68.5% |
| Mayur Power Generation PNG Limited* | Papua New Guinea | Power generation | 68.5% | 68.5% |

*100% owned by the respective Singaporean company

The above table present the Group's ownership interests in subsidiaries as at 30 June 2017 and 30 June 2016. Subsequent to 30 June 2017, the following changes occurred in the Group's ownership interests in its (refer also note 24):

- The Group increased its interest in the Singapore subsidiaries to 100% through the acquisition of the non-controlling interests. The consideration paid to acquire the non-controlling interests was shares in Mayur Resources Ltd with a fair value of \$10,768,831.
- Acquisition of 100% of the share capital in Waterford Limited, the owner of certain Coal tenements in PNG by issuance of 11% of the share capital in Mayur Power Generation PNG Ltd and 11% of the share capital of Mayur Energy PNG Ltd.

(b) Non-controlling interests

Movement in non-controlling interests during the period are summarised below:

| | 2017 | 2016 |
|--|------------------|------------------|
| | \$ | \$ |
| Accumulated NCI 1 July | 6,769,535 | 5,609,025 |
| Profit or loss allocated to NCI during the year | (263,866) | (555,980) |
| Purchase of additional ownership interest in subsidiaries by NCI | - | 1,716,490 |
| Accumulated NCI at 30 June | <u>6,505,669</u> | <u>6,769,535</u> |

Mayur Resources Ltd
Financial Report for the year ended 30 June 2017

Notes to the financial statements

11. Subsidiaries (continued)

Set out below is a reconciliation of the NCI by subsidiary at 30 June 2017:

| Name of Subsidiary | Principal place of business | Proportion of ownership interest held by non-controlling interest | Profit / (loss) allocated to NCI during the reporting period \$ | Accumulated NCI at the end of the reporting period \$ |
|-------------------------------------|-----------------------------|---|--|--|
| MR Exploration PNG Pte Ltd | Singapore | 31.5% | - | 2,666,676 |
| MR Iron PNG Pte Ltd | Singapore | 31.5% | - | 2,666,676 |
| MR Energy PNG Pte Ltd | Singapore | 31.5% | - | 2,666,676 |
| MR PNG DRI & Steel Making Pte Ltd | Singapore | 31.5% | - | 261 |
| MR Power Generation Pte Ltd | Singapore | 31.5% | - | 244 |
| Mayur Exploration PNG Limited* | Papua New Guinea | 31.5% | (241,529) | (1,141,910) |
| Mayur Iron PNG Limited | Papua New Guinea | 31.5% | (22,337) | (345,102) |
| Mayur Energy PNG Ltd* | Papua New Guinea | 31.5% | - | (6,000) |
| Mayur PNG DRI & Steel Making Ltd* | Papua New Guinea | 31.5% | - | (730) |
| Mayur Power Generation PNG Limited* | Papua New Guinea | 31.5% | - | (1,123) |
| | | | (263,866) | 6,505,669 |

Set out below is a reconciliation of the NCI by subsidiary at 30 June 2016:

| Name of Subsidiary | Principal place of business | Proportion of ownership interest held by non-controlling interest | Profit / (loss) allocated to NCI during the reporting period \$ | Accumulated NCI at the end of the reporting period \$ |
|-------------------------------------|-----------------------------|---|--|--|
| MR Exploration PNG Pte Ltd | Singapore | 31.5% | - | 2,666,676 |
| MR Iron PNG Pte Ltd | Singapore | 31.5% | - | 2,666,676 |
| MR Energy PNG Pte Ltd | Singapore | 31.5% | - | 2,666,676 |
| MR PNG DRI & Steel Making Pte Ltd | Singapore | 31.5% | - | 261 |
| MR Power Generation Pte Ltd | Singapore | 31.5% | - | 244 |
| Mayur Exploration PNG Limited* | Papua New Guinea | 31.5% | (248,736) | (900,381) |
| Mayur Iron PNG Limited | Papua New Guinea | 31.5% | (306,054) | (322,765) |
| Mayur Energy PNG Ltd* | Papua New Guinea | 31.5% | 663 | (6,000) |
| Mayur PNG DRI & Steel Making Ltd* | Papua New Guinea | 31.5% | (730) | (730) |
| Mayur Power Generation PNG Limited* | Papua New Guinea | 31.5% | (1,123) | (1,123) |
| | | | (555,980) | 6,769,535 |

Notes to the financial statements

11. Subsidiaries (continued)

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

| 2017 | MR Exploration PNG Pte Ltd \$ | MR Iron PNG Pte Ltd \$ | MR Energy PNG Pte Ltd \$ | MR PNG DRI & Steel Making Pte Ltd \$ | MR Power Generation Pte Ltd \$ | Mayur Exploration PNG Limited \$ | Mayur Iron PNG Limited \$ | Mayur Energy PNG Ltd \$ | Mayur PNG DRI & Steel Making Ltd \$ | Mayur Power Generation PNG Limited \$ |
|--|--|---------------------------------|--------------------------------|--|---|---|---------------------------------|----------------------------------|--|--|
| <i>Summarised balance sheet</i> | | | | | | | | | | |
| <i>Current</i> | | | | | | | | | | |
| Assets | 155 | 155 | 844,806 | 776 | 774 | 36,834 | 51,071 | 11,239 | - | - |
| Liabilities | (4,888,273) | (2,464,475) | (77) | - | (104,522) | (8,581,885) | (8,193,635) | (3,234,606) | (2,316) | (492,895) |
| Net current assets | (4,888,118) | (2,464,320) | 844,729 | 776 | (103,748) | (8,545,051) | (8,142,564) | (3,223,367) | (2,316) | (492,895) |
| <i>Non-current</i> | | | | | | | | | | |
| Assets | 1 | 1 | 1 | 1 | 1 | 3,366,876 | 7,047,047 | 3,204,319 | - | 489,374 |
| Liabilities | - | - | - | - | - | - | - | - | - | - |
| Net non-current assets | 1 | 1 | 1 | 1 | 1 | 3,366,876 | 7,047,047 | 3,204,319 | - | 489,374 |
| Net assets | (4,888,117) | (2,464,319) | 844,730 | 777 | (103,747) | (5,178,175) | (1,095,517) | (19,048) | (2,316) | (3,521) |
| <i>Summarised statement of profit or loss and other comprehensive income</i> | | | | | | | | | | |
| Revenue | - | - | - | - | - | - | - | - | - | - |
| Profit before income tax | - | - | - | - | - | (766,759) | (70,912) | - | - | - |
| Income tax expense | - | - | - | - | - | - | - | - | - | - |
| Profit after tax | - | - | - | - | - | (766,759) | (70,912) | - | - | - |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - | (766,759) | (70,912) | - | - | - |
| <i>Other summarised information</i> | | | | | | | | | | |
| Net cash flow from operations | - | - | - | - | - | - | - | - | - | - |
| Exploration and evaluation expenditure | - | - | - | - | - | 389,255 | 1,270,029 | 785,205 | - | - |

Notes to the financial statements

11. Subsidiaries (continued)

| 2016 | MR Exploration PNG Pte Ltd \$ | MR Iron PNG Pte Ltd \$ | MR Energy PNG Pte Ltd \$ | MR PNG DRI & Steel Making Pte Ltd \$ | MR Power Generation Pte Ltd \$ | Mayur Exploration PNG Limited \$ | Mayur Iron PNG Limited \$ | Mayur Energy PNG Ltd \$ | Mayur PNG DRI & Steel Making Ltd \$ | MR Power Generation PNG Limited \$ |
|--|--|------------------------------|--------------------------------|--|---|---|---------------------------------|-------------------------------|--|---|
| <i>Summarised balance sheet</i> | | | | | | | | | | |
| <i>Current</i> | | | | | | | | | | |
| Assets | 77 | 77 | 844,729 | 775 | 774 | 2,917 | 10,595 | 9,821 | - | - |
| Liabilities | (4,888,195) | (2,464,397) | - | - | (104,522) | (8,013,081) | (6,398,359) | (2,149,936) | (2,316) | (211,614) |
| Net current assets | (4,888,118) | (2,464,320) | 844,729 | 776 | (103,748) | (8,010,164) | (6,387,764) | (2,140,115) | (2,316) | (211,614) |
| <i>Non-current</i> | | | | | | | | | | |
| Assets | 1 | 1 | 1 | 1 | 1 | 3,598,748 | 5,363,160 | 2,121,067 | - | 208,093 |
| Liabilities | - | - | - | - | - | - | - | - | - | - |
| Net non-current assets | 1 | 1 | 1 | 1 | 1 | 3,598,748 | 5,363,160 | 2,121,067 | - | (208,093) |
| Net assets | (4,888,117) | (2,464,319) | 844,730 | 777 | (103,747) | (4,411,416) | (1,024,604) | (19,048) | (2,316) | (3,521) |
| <i>Summarised statement of profit or loss and comprehensive income</i> | | | | | | | | | | |
| Revenue | - | - | - | - | - | - | - | - | - | - |
| Profit before income tax | (428,916) | (1,428,664) | (520,357) | - | (104,522) | (789,637) | (971,601) | 2,100 | (2,317) | (3,565) |
| Income tax expense | - | - | - | - | - | - | - | - | - | - |
| Loss after tax | (428,916) | (1,428,664) | (520,357) | - | (104,522) | (789,637) | (971,601) | 2,100 | (2,317) | (3,565) |
| Other comprehensive income | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive loss | (428,916) | (1,428,664) | (520,357) | - | (104,522) | (789,637) | (971,601) | 2,100 | (2,317) | (3,565) |
| <i>Other summarised information</i> | | | | | | | | | | |
| Net cash flow from operations | - | - | - | - | - | - | - | - | - | - |
| Exploration and evaluation expenditure | - | - | - | - | - | (421,672) | (1,379,297) | (531,363) | - | - |
| Impairment of receivables from subsidiary | (428,916) | (1,428,664) | (520,357) | - | (104,522) | - | - | - | - | - |

Notes to the financial statements

12. Cash and cash equivalents

| | <i>2017</i> | <i>2016</i> |
|--------------------|----------------|----------------|
| | \$ | \$ |
| Current accounts | 132,565 | 174,852 |
| Cash held in trust | 369,314 | - |
| | 501,879 | 174,852 |

13. Prepayments

| | <i>2017</i> | <i>2016</i> |
|---------------------------|----------------|-------------|
| | \$ | \$ |
| Prepaid share issue costs | 195,657 | - |
| | 195,657 | - |

Prepaid share issue costs represent costs incurred in the period to 30 June 2017 that relate to the issuing of new shares pursuant to the Company's Initial Public Offering that was completed subsequent to 30 June 2017 (refer note 24). These costs will be deducted from equity on the issuance of the Initial Public Offering Shares.

14. Trade and other payables

| | <i>2017</i> | <i>2016</i> |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Trade creditors and accruals | 616,658 | 727,850 |
| Payable to Siecap (a) | 2,859,765 | 6,083,315 |
| | 3,476,423 | 6,811,165 |

(a) Payable to Siecap

In 2013, Mayur Resources Pte Ltd entered into a loan agreement with Siecap Pty Ltd (Siecap - a shareholder related entity). Under this agreement Siecap has agreed to provide funding to the Group not exceeding \$15,000,000. The term of the loan is 7 years and is repayable in part or full upon the purchase of the Group by one of the shareholders or an investment event (private placement or IPO). The loan is non-interest bearing.

In addition, Mayur Resources Pte Ltd and its subsidiaries have entered into a services agreement with Siecap. Under this agreement, Siecap is to provide exploration and geological, project and development management, commercial and analytical services, charged by way of standard daily rates. Additionally, it is entitled to a reimbursement for all reasonable expenses incurred in performance of the services. Included in the Payable to Siecap are any such charges which remain unpaid at reporting date.

On 29 June 2017, the Group executed a Deed of Release of Debt with Siecap, pursuant to which Siecap agreed to release the Group from the obligation to pay the sum of \$6,532,996 to Siecap under the loan agreement. This amount has been recognised as income in the statement of comprehensive income.

Subsequent to 30 June 2017, the Group repaid \$1 million of the outstanding loan balance.

Notes to the financial statements

15. Loans

| | 2017 \$ | 2016 \$ |
|------------------|------------------|------------|
| Shareholder loan | 1,256,619 | - |
| | 1,256,619 | - |

Mayur entered into a loan agreement with the following Shareholders: DTJ Co Pty Ltd, Thomas Jonathan Charlton as trustee of the Charlton Family Trust, QMP Nominees Pty Ltd as trustee for the QFL Agencies Trust and MAYPNG Pty Ltd on 28 January 2016 under which those shareholders agreed to loan ongoing sums of funding to Mayur for the running of the Business. The amount of funds loaned must not exceed \$5 million.

The term of the loan is 5 years. Mayur is not charged interest on the loan. The loan is not secured. The loan is repayable (in part or full) on listing.

On 22 September 2017, the Company repaid \$1 million of the loan utilising funds received pursuant to the Initial Public Offering.

Set out below is a summary of movements in loans during the year:

| | 2017 \$ | 2016 \$ |
|------------------------------|------------------|------------|
| Balance at 1 July | - | - |
| Principal amounts drawn down | 1,256,619 | - |
| Balance at 30 June | 1,256,619 | - |

16. Called up share capital

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Issue and paid up capital – ordinary shares | 2,038,237 | 2,038,237 |
| Issue and paid up capital – preference shares | - | - |
| | 2,038,237 | 2,038,237 |

Movements in ordinary shares on issue on the period to 30 June were:

| | 2017 Number | 2017 \$ | 2016 Number | 2016 \$ |
|---------------------------------|-------------------|------------------|-------------------|------------------|
| At 1 July | 58,548,009 | 2,038,237 | 58,548,009 | 2,514,091 |
| Capital calls | - | - | - | 686,457 |
| Redemption of preference shares | - | - | - | (1,162,311) |
| At 30 June | 58,548,009 | 2,038,237 | 58,548,009 | 2,038,237 |

Ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

Movements in preference shares on issue on the period to 30 June were:

| | 2017 Number | 2017 \$ | 2016 Number | 2016 \$ |
|---------------------------------|----------------|------------|----------------|------------|
| At 1 July | - | - | 10 | 7 |
| Redemption of preference shares | - | - | (10) | (7) |
| At 30 June | - | - | - | - |

Notes to the financial statements

17. Reserves

| | 2017 \$ | 2016 \$ |
|------------------------------|------------------|------------------|
| Share based payments reserve | <u>2,082,586</u> | <u>1,435,396</u> |

The share based payments reserve is used to record the fair value of shares or options issued to employees/contractors and other service providers. In the year ended 30 June 2017 costs settled by way of share based payments amounting to \$647,190 were capitalised as exploration and evaluation expenditure (2016: \$682,597).

| | 2017 \$ | 2016 \$ |
|---|-------------------------|-------------------------|
| Balance at 1 July | 1,435,396 | 752,799 |
| Share based payments made during the year | <u>647,190</u> | <u>682,597</u> |
| Balance at 30 June | <u><u>2,082,586</u></u> | <u><u>1,435,396</u></u> |

The share based payments made during the year were accounted for as follows:

| | 2017 \$ | 2016 \$ |
|---|-----------------------|-----------------------|
| Capitalised as exploration and evaluation expenditure | <u><u>647,190</u></u> | <u><u>682,597</u></u> |

18. Capital commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform exploration work to meet minimum expenditure requirements as specified by the Papua New Guinea Mineral Resources Authority. The following table sets out the minimum expenditure commitments:

| | 2017 \$ | 2016 \$ |
|---|-------------------------|-------------------------|
| Payable: | | |
| - not later than one year | 1,848,535 | 759,023 |
| - later than one year and not later than five years | <u>323,017</u> | <u>758,157</u> |
| | <u><u>2,171,552</u></u> | <u><u>1,517,180</u></u> |

Notes to the financial statements

19. Parent entity disclosures

As at and throughout the financial year ending 30 June 2017 and 30 June 2016 the parent entity of the Group was Mayur Resources Ltd.

a) Summary financial information

The individual financial statements for the parent entity show the following aggregations.

| | Mayur Resources Ltd | |
|---|---------------------|--------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Results | | |
| Profit / (loss) for the year | <u>5,606,825</u> | <u>(799,429)</u> |
| Total comprehensive income for the year | <u>5,606,825</u> | <u>(799,429)</u> |
| Financial Position | | |
| Current assets | 5,643,230 | 1,585,135 |
| Non-current assets | <u>1,818</u> | <u>1,818</u> |
| | <u>5,645,048</u> | <u>1,586,953</u> |
| Current liabilities | <u>4,733,042</u> | <u>6,928,962</u> |
| | <u>4,733,042</u> | <u>6,928,962</u> |
| Net Assets | <u>912,006</u> | <u>(5,342,009)</u> |
| Contributed equity | 2,038,238 | 2,038,238 |
| Share-based payments reserve | 2,082,587 | 1,435,396 |
| Accumulated losses | <u>(3,208,819)</u> | <u>(8,815,643)</u> |
| | <u>912,006</u> | <u>(5,342,009)</u> |

b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees in the current or previous financial year, in relation to the debt of its subsidiaries.

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

d) Contractual commitments for capital expenditure

The parent entity did not have any contractual commitments for capital expenditure as at 30 June 2017 (2016: \$nil).

Notes to the financial statements

20. Financial risk management

The Group's principal financial instruments comprise cash and cash equivalents, loans and trade and other payables. The Group does not currently have any projects in production and as such the main purpose of these financial instruments is to provide liquidity to finance the Group's development and exploration activities. It is, and has been throughout the financial year, the Group's policy that no trading in speculative financial instruments shall be undertaken. The main risks arising from the Group's use of financial instruments are liquidity risk, counterparty or credit risk, interest rate risk and foreign currency risk. During the year the Group has had some transactional currency exposures, principally to the Papua New Guinea Kina ('PGK') and the United States Dollar ('USD'). The Group has not entered into forward currency contracts to hedge these exposures due to the short time frame associated with the currency exposure and the relatively modest overall exposure at any one point in time.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements. Primary responsibility for identification and control of financial risk rests with the board of directors. However, the day-to-day management of these risks is under the control of the Managing Director and the Chief Financial Officer. The Board agrees the strategy for managing future cash flow requirements and projections

The carrying values of the Group's financial assets at the year-end are as follows:

| Group | Cash and cash equivalents[#] | Total |
|--------------------|--|--------------|
| | \$ | \$ |
| As at 30 June 2017 | 501,879 | 501,879 |
| As at 30 June 2016 | 174,852 | 174,852 |

[#] Loans and receivables category

The carrying values of the Group's financial liabilities at the year-end are as follows:

| Group | Trade and other payables^{^^} | Loans^{**} | Total |
|--------------------|--|---------------------------|--------------|
| | \$ | \$ | \$ |
| As at 30 June 2017 | 3,476,423 | 1,256,619 | 4,733,042 |
| As at 30 June 2016 | 6,811,165 | - | 6,811,165 |

^{**} Loans and receivables category

^{^^} Financial liabilities at amortised cost category

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group's policy is to convert its local currency to the foreign currency at the time of the transaction. Foreign exchange risk arises from future commercial transactions and recognised financial liabilities denominated in a currency that is not the Group's functional currency (which is the Australian dollar).

The Group manages foreign exchange risk on an as-needs basis. The risk is measured using sensitivity analysis and cash-flow forecasting. The Group's exposure to foreign currency risk, expressed in Australian dollars at the reporting date, was as follows:

Notes to the financial statements

20. Financial risk management (continued)

| | | 2017 PGK \$ | 2017 USD \$ | 2016 PGK \$ | 2016 USD \$ |
|---------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Cash and cash equivalents | | 468,454 | 27,232 | 166,000 | - |
| | <i>Total assets</i> | 468,454 | 27,232 | 166,000 | - |
| Trade and other payables | | - | - | - | - |
| | <i>Net exposure</i> | 468,454 | 27,232 | 166,000 | - |

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A negative number in the table represents a decrease in the operating profit before tax and reduction in equity where the Australian dollar strengthens against the relevant currency. For a 10% strengthening of the Australian dollar against the relevant currency, there would be a comparable impact on the loss or equity, and the balances below would be positive.

| | 2017 PGK \$ | 2017 USD \$ | 2016 PGK \$ | 2016 USD \$ |
|--|-------------------|-------------------|-------------------|-------------------|
| Profit / (loss) before tax and equity – 10% increase | (46,845) | (2,723) | (16,600) | - |
| Profit / (loss) before tax and equity – 10% decrease | 46,845 | 2,723 | 16,600 | - |

(ii) Interest rate risk

The Group's exposure to interest rate risk arises predominantly from cash and cash equivalents bearing variable interest rates, as the Group intends to hold any fixed rate financial assets to maturity. At the end of the reporting period the Group maintained the following variable rate accounts:

| | 30 June 2017 | | 30 June 2016 | |
|---------------------------|---|----------------|---|---------------|
| | Weighted average interest rate % | Balance \$ | Weighted average interest rate % | Balance \$ |
| Cash and cash equivalents | 0.5% | 501,879 | 0.5% | 174,852 |

At the end of the reporting period, if the interest rates had changed, as illustrated in the table below, with all other variables remaining constant, after-tax profit and equity would have been affected as follows:

| | After-tax loss higher / (lower) | | Equity higher / (lower) | |
|-------------|------------------------------------|------------|----------------------------|------------|
| | 2017 \$ | 2016 \$ | 2017 \$ | 2016 \$ |
| +1% (100bp) | 5,018 | 1,748 | 5,018 | 1,748 |
| -1% (100bp) | (5,018) | (1,748) | (5,018) | (1,748) |

(ii) Credit risk

Credit risk primarily arises from cash and cash equivalents and term deposits deposited with banks and receivables. Cash and cash equivalents and term deposits are primarily placed with reputable financial institutions.

Notes to the financial statements

20. Financial risk management (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents in order to meet the Group's forecast requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in bank deposits. At reporting date, the Group did not have access to any undrawn borrowing facilities.

Maturity of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

| 30 June 2017 | Less than 3 months | Total contractual cash flows | Carrying amount |
|-----------------------------|--------------------|------------------------------|------------------|
| | \$ | \$ | \$ |
| Trade and other payables | 3,476,423 | 3,476,423 | 3,476,423 |
| Amounts due to shareholders | 1,256,619 | 1,256,619 | 1,256,619 |
| | 4,733,042 | 4,733,042 | 4,733,042 |
| 30 June 2016 | Less than 3 months | Total contractual cash flows | Carrying amount |
| | \$ | \$ | \$ |
| Trade and other payables | 6,811,165 | 6,811,165 | 6,811,165 |

21. Fair value estimation

Financial assets at fair value through profit or loss are carried at their fair value as determined by reference to quoted bid prices in an active, liquid market (Level 1). The carrying amount of other financial assets (net of any provision for impairment) and financial liabilities as disclosed above is assumed to approximate their fair values primarily due to their short maturities.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

22. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's long-term debt commitments.

The Group is not subject to any externally imposed capital requirements.

Notes to the financial statements

23. Related party transactions

(a) Siecap Pty Ltd Development Services Agreement and Loan Agreement

There is a Development Services Agreement between Mayur Resources Pte Ltd, Mayur Exploration PNG Ltd, Mayur Iron PNG Ltd, Mayur Energy PNG Ltd, Mayur Power Generation PNG Ltd, Mayur Steelmaking and DRI PNG Ltd and Siecap Pty Ltd dated 27 June 2017 (Development Services Agreement). This agreement superseded a prior Development Services Agreement dated 21 March 2014.

Under the agreement, Siecap is engaged to provide the following services to the Group to assist in the project development cycle of developing resource assets from a greenfield conceptual level:

- (a) exploration and geological services;
- (b) project and development management services; and
- (c) commercial services and analytics.

Paul Mulder and Tim Crossley who were appointed as Executive Directors of the Group on 3 July 2017 are shareholders of both Siecap and Mayur.

Siecap provides services under the Development Services on arm's length basis on normal commercial terms.

The Development Services Agreement can be terminated immediately by either party for default or by the Company giving at least 60 days written notice to the Service Provider or by the Service Provider giving at least 90 days written notice to the Company.

The Company entered into a loan agreement with Siecap Pty Ltd on 4 April 2013 under which Siecap Pty Ltd agreed to loan ongoing sums of funding to Mayur for the running of the Business. The amount of funds loaned must not exceed \$15 million.

The loan entitles Siecap Pty Ltd to accumulate losses it has incurred in supporting Mayur since Mayur's incorporation for which it in part has not received monetary compensation.

The term of the loan is 7 years. Mayur is not charged interest on the loan. The loan is not secured. The loan is repayable (in part or full) on the listing of the Company's shares on a stock exchange.

On 27 June 2017 the Company and Siecap entered into a Deed of Release of Debt under which Siecap agreed to the forgiveness of \$6,532,996 of amounts owed to Siecap by the Group.

Set out below is a summary of transactions undertaken during the year under the Development Services Agreement and the Loan Agreement:

| | 2017 | 2016 |
|--|------------------|------------------|
| | \$ | \$ |
| Balance of loan at 1 July | 6,083,315 | 5,549,726 |
| Services provided by Siecap under Development Services Agreement | 3,309,446 | 533,589 |
| Debt forgiveness | (6,532,996) | - |
| Balance at 30 June | 2,859,765 | 6,083,315 |

(b) Shareholder Loan

As disclosed in note 15, Mayur entered into a loan agreement with various Shareholders on 28 January 2016 under which those shareholders agreed to loan ongoing sums of funding to Mayur for the running of the Business. The amount of funds loaned must not exceed \$5 million.

The term of the loan is 5 years. Mayur is not charged interest on the loan. The loan is not secured. The loan is repayable (in part or full) on listing of the Company's shares on a stock exchange.

Notes to the financial statements

23. Related party transactions continued (continued)

Set out below is a summary of transactions undertaken during the year under the Shareholder Loan Agreement:

| | 2017 | 2016 |
|------------------------------|------------------|----------|
| | \$ | \$ |
| Balance at 1 July | - | - |
| Principal amounts drawn down | 1,256,619 | - |
| Principal repayments | - | - |
| Balance at 30 June | <u>1,256,619</u> | <u>-</u> |

24. Contingent liabilities

In September 2015, the Group entered into a Development Management Deed with a third party. Under this deed and its subsequent addendums, the third party is to provide services relating to the Lae power project and any subsequent power projects undertaken by the Group. In addition to the amounts paid to the third party for their services, they are entitled to the following compensation -

- (a) 5% undiluted free carried equity in the first project (anticipated to be the Lae Power Project) undertaken by MR Power Generation PNG Pte Ltd payable on financial close of the Lae power project and/or upon investment from potential investors as contemplated in the agreement, and up to 12% undiluted free carried equity in any other subsequent projects developed by MR Power Generation PNG Pte Ltd.; and
- (b) An accrued portion of compensation up to \$980,000 payable upon financial close of the Lae power project (and likewise for any other subsequent projects) or \$1,470,000 payable upon investment from potential investors as contemplated in the agreement (and likewise for any other subsequent projects).

In June 2017, the Group entered into two additional Deeds of appointment with third parties, regarding the power projects. Under these deeds, the third parties are to provide services relating to Lae power project. As compensation for their services they are entitled to various payments and/or interests in MR Power Generation PNG Pte Ltd and MR Energy PNG Pte Ltd, contingent upon the achievement of certain milestones/investor introductions. These amounts include -

Third party 1-

- (a) \$50,000 fee upon signing of the Power Purchasing Agreement;
- (b) \$700,000 fee upon financial close of the Lae power project;
- (c) 8% equity in MR Power Generation PNG Pte Ltd and MR Energy PNG Pte Ltd upon operation commencement and approval of first shareholder dividend payment; and
- (d) Introduction fee of 3% of proceeds for any investors introduced which result in funds being received.

Third party 2 –

- (e) Upon achievement of the signing of the Power Purchase Agreement and subsequent government guarantees by a defined date to be determined, 5% interest in MR Power Generation PNG Pte Ltd and MR Energy PNG Pte Ltd; and
- (f) Introduction fee of 3% of proceeds for any investors introduced which result in funds being received.

These amounts have not been recognised in the financial statements due to their payment being contingent upon future events not wholly within the control of the Group.

Notes to the financial statements

25. Post balance sheet events

No matter or circumstance has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in subsequent periods other than that disclosed below -

- (a) Establishment of an incentive plan via an Employee Share Trust, with corresponding transfer of share based payments reserve of \$2,082,567 to issued capital.
- (b) Acquisition on 3 July 2017 of the non-controlling interests in the Singapore subsidiaries for shares in the parent entity (with a fair value of \$10,768,831) with a resulting transfer from equity attributable to NCI to equity attributable to owners of the parent entity (\$6,924,989) and creation of a non-controlling interest reserve (\$3,843,842 debit).
- (c) Acquisition on 4 July 2017 of 100% of the share capital in Waterford Limited, the owner of certain Coal tenements in PNG by issuance of 11% of the share capital in Mayur Power Generation PNG Ltd and 11% is the share capital of Mayur Energy PNG Ltd with a fair value of \$768,727.
- (d) Issuance of 621,542 shares in the Company to QMP Nominees Pty Ltd (310,771 shares) and MAYPNG Pty Ltd (310,771 shares) on 3 July 2017 for \$nil consideration as anti-dilutive shares resulting from the establishment of the Employee Share Trust noted in (a) above.
- (e) The issue on 20 September 2017 of 38,808,290 shares in the Company pursuant to an Initial Public Offering to raise \$15,523,316 before transaction costs.
- (f) The issue of 19,404,148 Loyalty Options to shareholders who subscribed for shares in the Initial Public Offering.
- (g) The issue of 1,337,856 Broker Options to the sponsoring broker for the Company's Initial Public Offering.
- (h) A partial repayment of \$1 million against loans received from shareholders and a partial repayment of \$1 million against loans received from Siecap Pty Ltd.
- (i) On 21 September 2017 the Company's shares commenced trading on the Australian Stock Exchange.

MAYUR RESOURCES LTD

DIRECTORS' DECLARATION

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 and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 3(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



Paul Mulder
Managing Director
Brisbane, 29 September 2017



Rob Neale
Chairman
Brisbane, 29 September 2017

Shareholder Information

The shareholder information set out below was applicable as at 31 October 2017.

A. Distribution of securities

Analysis of the number of equity securities by size of holding:

| Holding | Number of holders | |
|-------------------|-------------------|--|
| | Listed CDI's | Unlisted \$0.56 options expiring 21 September 2019 |
| 1 to 1,000 | 2 | - |
| 1,001 to 5,000 | 118 | 185 |
| 5,001 to 10,000 | 76 | 68 |
| 10,001 to 100,000 | 115 | 114 |
| 100,001 and over | 53 | 23 |
| | 364 | 390 |

There was 1 holder of less than a marketable parcel of listed CDI's.

The unlisted options will vest in four equal tranches at quarterly intervals. The first vesting date is 21 December 2017.

B. Equity security holders

The names of the twenty largest holders of CDI's are listed below:

| Name | CDI's | % |
|--|--------------------|--------------|
| DTJ Co Pty Ltd | 50,000,000 | 37.4% |
| MAYPNG Pty Ltd | 15,268,036 | 11.4% |
| QMP Nominees Pty Ltd | 15,268,036 | 11.4% |
| One Managed Investment Funds Limited <Mayur Res Employee Inc A/C> | 8,885,714 | 6.6% |
| Morgan Stanley Australia Securities (Nominee) Pty Ltd <No 1 Account> | 7,463,840 | 5.6% |
| Mr Thomas Jonathan Charlton <The Charlton Family A/C> | 5,555,556 | 4.2% |
| Level 280 Riverside Pty Ltd | 5,000,000 | 3.7% |
| J P Morgan Nominees Australia Limited | 2,705,000 | 2.0% |
| Andium Pty Limited | 1,375,000 | 1.0% |
| Quality Life Pty Ltd <The Neill Family A/C> | 1,250,000 | 0.9% |
| Relesah Pastoral Holdings Pty Ltd <The Haseler Estates A/C> | 1,220,000 | 0.9% |
| Timrach Holding Pty Ltd <Crossley Super Fund A/C> | 1,125,000 | 0.8% |
| Nero Resource Fund Pty Ltd <Nero Resource Fund A/C> | 1,015,305 | 0.8% |
| Washington H Soul Pattinson And Company Limited | 1,000,000 | 0.7% |
| BNP Paribas Nominees Pty Ltd <Global Prime Omni DRP> | 772,532 | 0.6% |
| Marford Group Pty Ltd | 762,500 | 0.6% |
| Simon James Hillary | 750,000 | 0.6% |
| Wright Corporation Pty Ltd <Wright Corporation S/F A/C> | 700,000 | 0.5% |
| Wright Corporation Pty Ltd <Wright Corp Super Fund A/C> | 625,000 | 0.5% |
| TKM Pty Ltd <The Mahony Family A/C> | 620,000 | 0.5% |
| Asher Capital Pty Ltd <NKF A/C> | 610,000 | 0.5% |
| CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C> | 600,000 | 0.4% |
| BPM Capital Limited | 600,000 | 0.4% |
| Total Securities of Top 20 Holdings | 121,971,519 | 91.2% |

Shareholder Information

Unquoted equity securities

| Security | Number on issue | Number of holders |
|--|-----------------|-------------------|
| Unlisted options with an exercise price of \$0.56 expiring 21 September 2019 | 20,742,001 | 390 |

Unquoted equity securities represent options to acquire CDI's. Each option entitles the holder to acquire one CDI's. There was no individual holder of more than 20% of the unlisted options.

C. Substantial shareholders

Substantial shareholders in the Company are set out below:

| Shareholder | CDI's | % |
|---|------------|-------|
| DTJ Co Pty Ltd | 50,000,000 | 37.4% |
| MAYPNG Pty Ltd | 15,268,036 | 11.4% |
| QMP Nominees Pty Ltd | 15,268,036 | 11.4% |
| One Managed Investment Funds Limited <Mayur Res Employee Inc A/C> | 8,885,714 | 6.6% |

D. Listed CDI's subject to voluntary escrow

5,000,000 CDI's are subject to voluntary escrow until 19 September 2018.

66,334,542 CDI's are subject to escrow until 21 September 2019.

E. Voting rights

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

(a) CDI's

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.

Corporate Directory

Board of Directors

| | |
|-----------------|------------------------|
| Rob Neale | Non-Executive Chairman |
| Paul McTaggart | Non-Executive Director |
| Frank Terranova | Non-Executive Director |
| Lee Wei Hsiung | Non-Executive Director |
| Paul Mulder | Managing Director |
| Tim Crossley | Executive Director |

Company Secretary

Tricor Singapore Pte Ltd
80 Robinson Road #02-00
Singapore 068898
Telephone: + (65) 6236 3333

Registered Office

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Telephone: + (65) 6236 3333

Principal Place of Business

Level 7
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Telephone: + (61) 7 3157 4400

Website:

www.mayurresources.com

Share Registry

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Level 12, 225 George Street
Sydney NSW 2000 Australia

Phone number: 1 300 737 760

Stock Exchange

Australian Securities Exchange
20 Bridge Street
Sydney, NSW 2000

ASX Code

MRL