

FINDERS RESOURCES LIMITED

ABN 82 108 547 413

ANNUAL REPORT
31 DECEMBER 2017

Corporate Directory

| | | |
|----------------------------|---|--|
| Directors | Gary Comb Barry Cahill Gavin Caudle Gordon Galt Michael Anderson Douglas Tay | Non-Executive Chairman Managing Director Non-Executive Director Non-Executive Director Alternate for Gordon Galt Alternate for Gavin Caudle |
| Secretary | Susan Hunter | |
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| Website | www.findersresources.com | |
| Stock Exchange Listing | ASX: FND | |
| Auditor | Ernst & Young 11 Mounts Bay Road Perth WA 6000 | |
| Share Registry | Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000 Australia Telephone – 1300 737 760 (within Australia) +61 2 9290 9600 (outside Australia) | |
| Australian Business Number | 82 108 547 413 | |

Contents

Chairman's Statement

Managing Director's Review

Directors' Report

Remuneration Report

Auditors Independence Declaration

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

Consolidated Statement of Financial Position as at 31 December 2017

Consolidated Statement of Cash Flows for the year ended 31 December 2017

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

Directors' Declaration

Independent Audit Report

Shareholders Information as at 23 March 2018

Chairman's Statement

Dear Fellow Shareholders,

Welcome to the 2017 Annual Report for Finders Resources Limited.

Operations

The past year has been an eventful one, marking our first full year of copper cathode production at the 74.1%-owned Wetar Copper Project in Indonesia after we brought the 25,000 tonnes per annum solvent extraction electrowinning (SX-EW) plant online in mid-2016. During 2017, we produced 23,160 tonnes of copper cathode and continued to make improvements and optimize the performance of the heaps and both of our plants, with the refurbishment of the 3,000tpa SX-EW plant continuing into 2018.

I am therefore pleased to report the outstanding financial results achieved for 2017, with earnings before interest, taxes, depreciation and amortization (EBITDA) of \$119.2 million and a net profit after tax (NPAT) of \$56.3 million. Finders prudent financial management has allowed us to rapidly pay down debt under the Project's Senior Secured Finance Facility Agreement used for the construction of the 25,000tpa SX-EW plant, which was reduced to US\$60.5 million at the end of 2017 from the peak project debt facility of US\$145 million. We also successfully renegotiated the Debt Service Reserve Account (DSRA) funding requirements under the Facility Agreement with an initial US\$9.0 million deposited reducing net debt to US\$51.5 million. As at the time of this report, the debt under the Project's Senior Secured Finance Facility Agreement has been further reduced to US\$52.0 million and net debt after deducting the DSRA was US\$38.5 million.

Late in the September 2017 quarter, we experienced a contamination event in our 25,000tpa SX-EW plant which interrupted production for several weeks. This event coincided with a period of rehandling partially-leached material which reduced the supply of high grade open pit ore to the leach pads. While this adversely affected cathode output in the second half of the year and pushed up production costs, we still managed to achieved a very impressive C1 cash cost of US\$1.05/lb copper and AISC cost of US\$1.56/lb copper for the full year. These issues are being addressed and we expect copper cathode output to recover in 2018.

During the year, Finders also accelerated pre-production activities at its Lerokis deposit, the second deposit scheduled to be developed at the Wetar project. Detailed infill drilling resulted in a significant upgrade to the previously reported Mineral Resource, with contained copper increasing by 20,800 tonnes (or 34%) to 81,800 tonnes and the Ore Reserve increasing by 17,200 tonnes of contained copper (or 29%) to 76,200 tonnes of contained copper metal.

The improvement in the Lerokis waste to ore strip ratio and potential for further increases in copper recovery rates from metallurgical testwork will assist in keeping production costs down and bodes well for Finders moving forward in the current copper price environment. The booming electric vehicle industry is expected to drive future demand for copper, just as it is creating stronger demand for other battery commodities such as cobalt and lithium. We have already witnessed over 30% increase in the copper price over the past 12 months, and the current copper forward curve suggests the copper price will remain strong.

Eastern Field Takeover Offer

As you are likely aware, during the year Finders became the target of an unsolicited off-market takeover offer by Eastern Field Developments Limited (**Eastern Field**), (the **Offer**), a special purpose vehicle jointly owned by Procap Partners Limited, PT Saratoga Investama Sedaya Tbk and PT Merdeka Copper Gold Tbk. Eastern Field announced

its off-market cash offer to acquire Finders for \$0.23 per share on 6 October 2017 and the Offer opened on 20 November 2017.

Myself, Gordon Galt (and Michael Anderson as his alternate) and Barry Cahill were the Independent Directors for the purposes of the Offer. We considered the Offer and after receiving the Independent Experts' report concluded that in our opinion the Offer did not reflect the fair value of Finders. Consequently, we recommended that shareholders reject the Offer, for the reasons set out in the Finders target's statement dated 5 December 2017 which was mailed to shareholders.

The Independent Directors engaged Deloitte Corporate Finance Pty Ltd as the Independent Expert to prepare an Independent Expert's report expressing an opinion as to whether or not the Offer was fair and reasonable for Finders shareholders. The Independent Expert concluded that the Offer was neither fair nor reasonable, and assessed the fair market value of a Finders share on a control basis to be in the range of \$0.31 to \$0.35 per share.

However, the circumstances in relation to the Offer changed significantly in the past months. Notably:

- On 15 February 2018, Eastern Field declared the Offer unconditional.
- On 12 March 2018, Eastern Field declared its Offer price of \$0.23 final.
- On 19 March 2018, Eastern Field acquired a relevant interest in 60.22% of Finders shares, and therefore a controlling interest in Finders.

After Eastern Field acquired a controlling interest in Finders, the Independent Directors considered that it was their duty to reconsider their recommendation to Finders shareholders, in light of the risks associated with remaining as a minority shareholder in Finders.

Indeed, we considered that it was our duty to change our recommendation. Although we still did not (and do not) believe that the Offer reflects the fair value of Finders, after Eastern Field acquired a controlling interest in Finders we recommended that Finders shareholders consider accepting the Offer while it remained open to them to do so, given the significant risks of remaining as a minority shareholder in Finders. Our changed recommendation, and the reasons for it, were set out in Finders' supplementary target's statement dated 19 March 2018 and available on ASX and Finders' website.

On 29 March 2018, Eastern Field has notified that it has a relevant interest in 91.19% of Finders shares on issue as at 28 March 2018, and the Offer is due to close on 30 March 2018. However, an application to the Takeovers Panel has been made seeking orders that include the cancellation of acceptances of the Offer in respect of ~12% of the Finders shares on issue. Finders shareholders should therefore not assume that the 90% compulsory acquisition and compulsory buyout threshold will be maintained and that their Finders shares will be acquired by Eastern Field under a compulsory process after the Offer closes.

Shareholders who accepted the Offer should receive the Offer consideration of \$0.23 from Eastern Field no later than 21 days after the end of the Offer period.



Gary Comb
Chairman
29 March 2018

Managing Director's Review

OPERATIONS

Finders operates the Wetar Copper Project, in which the Company has a 74.1% economic interest, located on the north coast of the remote and lightly populated island of Wetar in the Province of Maluku Barat Daya of eastern Indonesia. The Wetar Copper Project comprises the development, open-pit mining and processing of high-grade, massive sulphide deposits at Kali Kuning and Lerokis.

Finders has operated a sulphide heap leach and solvent extraction-electrowinning (SX-EW) copper cathode demonstration plant on Wetar Island since 2009. In 2014, the SX-EW plant was upgraded to 3,000tpa which validated the economics for the expansion of the Project to a capacity of 28,000tpa. A new 25,000tpa SX-EW plant was commissioned in May 2016 with first copper plated and stripped in June 2016. By late 2016, the new SX-EW plant was operating at about nameplate capacity.

Mining and Processing

Ore and waste mining continued at Kali Kuning during the year, with the focus of mining in the northern end of the open pit to bring the floor level with the southern end of the pit. By year end, the majority of the exposed open pit floor was ore, with high grade, black massive sulphide predominating. This was also reflected in a progressive increase in the grade of ore stacked as mining progressed through lower grade transitional ore into the higher grade massive sulphide ore that comprises most of the orebody at Kali Kuning.

| | | Full Year 2016 | March 17 Quarter | June 17 Quarter | September 17 Quarter | December 17 Quarter | Full Year 2017 |
|-------------------|------------|-------------------|---------------------|--------------------|-------------------------|------------------------|-------------------|
| Ore stacked | t | 2,152,574 | 429,616 | 633,638 | 513,516 | 367,750 | 1,944,520 |
| Grade | % Cu | 2.19 | 1.47 | 1.66 | 2.32 | 2.66 | 2.00 |
| Metal stacked | t Cu | 47,247 | 6,299 | 10,450 | 12,385 | 9,765 | 38,899 |
| Copper stripped | t Cu | 11,760 | 6,125 | 6,804 | 6,131 | 4,100 | 23,160 |
| Copper sold | t Cu | 8,825 | 7,153 | 7,419 | 6,886 | 3,819 | 25,277 |
| Copper sale price | US\$/lb Cu | 2.25 | 2.60 | 2.60 | 2.88 | 3.12 | 2.76 |

The tonnes and grades mined from Kali Kuning continued to exceed the Ore Reserve estimate. On a Project to date basis, this positive reconciliation has resulted in the recovery of an extra 12% ore tonnes and an additional 10% copper metal. The additional 9,170 tonnes of copper metal in ore mined is equivalent to approximately two months additional mining and crushing.

During the second half of the year, the focus was on the rehandling of leach pad KK03, an original truck dump leach pad, to stabilise the base and insert a new liner. This resulted in a reduction of high grade ore delivered to the pads for stacking and leaching, as older partially-leached material needed to be moved. There was no loss of recoverable copper, but it did cause delays in the production cycle. Material crushed and stacked on leach pads KK01, KK02 and KK03 was therefore sourced from a combination of mined ore from the Kali Kuning open pit and partially leached truck dump material. The crushing and stacking of 135,000 tonnes of partially-leached truck dump material was completed in mid-December 2017.

As part of the stacking activities, higher specification aeration piping was used to allow substantially more air to be forced into the leach pads. This is intended to cause internal leach pad temperatures to increase at a faster rate, which can facilitate more rapid leaching of the copper minerals. Optimisation of the leach pads is continuing to increase copper leaching rates.

Finders also completed improvements to the 25,000tpa SX-EW plant and the neutralisation plant to maintain steady production rates. The SX-EW plant has periodically achieved production rates higher than its nameplate capacity and Finders continues to undertake enhancements to the design and operation of the plant to improve consistency.

During September, Finders advised of an interruption to the 25,000tpa SX-EW plant temporarily affecting copper cathode production. Organic and aqueous solution containing contaminants and impurities from the solvent extraction (SX) settlers (crud) overflowed through the circuit and into the clean electrolyte for the electrowinning (EW) circuit. This affected the operation of the EW circuit and its ability to plate copper cathode and resulted in copper cathode production falling below previous levels. Operating costs increased during this period due to the replacement of reagents in the circuits and an increase in power usage due to circuit efficiencies.

Planned refurbishment work was undertaken on the 3,000tpa SX-EW plant throughout the year to improve cathode production rates was substantially completed by the end of the March 2018 quarter.

Copper Production and Sales

During 2017, 23,160 tonnes of +99.99% pure copper cathode was produced from both SX-EW plants with 25,277 tonnes sold as LME Grade A Cathode at a premium to the LME price (64%) or as lower specification Standard Grade Copper at or around the LME copper price (36%). Export of the copper cathode is unaffected by current Indonesian regulations restricting ore or concentrate exports.

| | | Full Year 2016 | March 17 Quarter | June 17 Quarter | September 17 Quarter | December 17 Quarter | Full Year 2017 |
|-------------------------|------------|-------------------|---------------------|--------------------|-------------------------|------------------------|-------------------|
| Copper stripped | t Cu | 11,760 | 6,125 | 6,804 | 6,131 | 4,100 | 23,160 |
| Copper sold | t Cu | 8,825 | 7,153 | 7,419 | 6,886 | 3,819 | 25,277 |
| Copper sale price | US\$/lb Cu | 2.25 | 2.60 | 2.60 | 2.88 | 3.12 | 2.76 |
| C1 cash cost | US\$/lb Cu | | 1.03 | 1.02 | 1.15 | 0.94 | 1.05 |
| Royalties | US\$/lb Cu | | 0.02 | 0.02 | 0.03 | 0.04 | 0.02 |
| Marketing / sales costs | US\$/lb Cu | | 0.11 | 0.11 | 0.10 | 0.16 | 0.11 |
| Sustaining capital | US\$/lb Cu | | 0.03 | 0.02 | 0.06 | 0.21 | 0.07 |
| Hedging losses | US\$/lb Cu | | 0.16 | 0.12 | 0.28 | 0.58 | 0.26 |
| Reclamation and other | US\$/lb Cu | | 0.03 | 0.04 | 0.04 | 0.11 | 0.05 |
| AISC cost | US\$/lb Cu | | 1.38 | 1.33 | 1.66 | 2.04 | 1.56 |

The C1 cash cost averaged US\$1.05 per pound of copper produced for the year despite the production interruption in late September. The all-in sustaining cost (AISC) averaged US\$1.56 per pound of copper produced.

Exploration and Project Development

Exploration and project development activities gained momentum during the year with a multipurpose drill rig mobilised to Wetar for the Lerokis pre-development program. Lerokis will be the second open pit deposit developed at the Wetar Copper Project and is scheduled to commence in 2019. The current plan requires a 13km one-way haul road to deliver ore to the existing Kali Kuning Valley leach pads.

During the year, a 60 hole reverse circulation (RC) and diamond drilling program (for a total of 2,991m) was completed into the more complex zones of the Zone 5 and Zone 1S areas at Lerokis to better define the mineralised envelopes for mine design purposes, to obtain additional samples for metallurgical column leach testing, to sterilise areas for infrastructure locations and to provide additional support to final open pit wall design assumptions.

The highly focussed drilling program successfully confirmed the presence of contiguous, high grade zones previously only informed by single or isolated drill hole intercepts and closed out more complex mineralised zones on the margins of the deposit.

A Mineral Resource and Ore Reserve upgrade for Lerokis was released on 21 November 2017 with contained copper metal increasing by 20,800 tonnes (or 34%) to 81,800 tonnes and the Ore Reserve increasing by 17,200 tonnes (or 29%) to 76,200 tonnes of contained copper metal. The updated estimate incorporated assay data from 73 additional drill holes, of which 60 were drilled during the 2017 campaign. The remaining 10 historic geotechnical and metallurgical holes and 3 exploration holes were resampled and included in the updated estimate.

The copper metal increase in the updated Lerokis Ore Reserve will deliver 11,300 tonnes of additional copper production based on the 2013 Bankable Feasibility Study (BFS) recovery estimate of 66%. The Life of Mine waste to ore strip ratio also improved to approximately 0.92:1, which is expected to enable a robust operation across a wide range of future copper prices.

The Lerokis drilling program also included eight large diameter diamond holes for ongoing metallurgical test work. The metallurgical test work was designed to confirm the mining, crushing and stacking characteristics of Lerokis ore and to optimise blends for the different mineralised domains within Lerokis.

The recovery results for the Lerokis mineralised domains were highly encouraging with significantly improved copper recoveries returned from two Lerokis Zone 5 samples. Sample PBX1/2 (leached/transitional pyrite breccia) achieved an 88.0% recovery in 231 days when compared to the BFS curve of 66.0% recovery in 1,200 days. Sample PBX2 (transitional pyrite breccia) achieved an 82.6% recovery in 234 days when compared to the BFS recovery curve of 66.0% in 1,200 days.

None of the planned drilling was completed at Meron, which is the third deposit in the project pipeline and is already partially drilled. Adjacent to Meron is the re-interpreted geophysical anomaly called Baru Manu. Both areas are walk up drill targets for potential additional copper-rich massive sulphide deposits in the immediate vicinity of the Kali Kuning open pit. Finders is currently in negotiations with the local communities to obtain the necessary access to these areas to enable drilling to commence.

Annual Mineral Resource and Ore Reserve Statement

Finders annual Mineral Resource and Ore Reserve update was released on 22 December 2017.

The Measured, Indicated and Inferred Mineral Resource for the Wetar Copper Project as at 1 December 2017 on a 100% equity basis stands at 9.6 million tonnes at 2.1% copper for 206,000 contained tonnes of copper metal as summarized in the following table:

Wetar Copper Project - Mineral Resource Estimate as at 1st December 2017

| | Measured | | Indicated | | Inferred | | | Total | |
|---|------------|------------|------------|------------|-------------|------------|------------|------------|------------|
| | Mt | Cu% | Mt | Cu% | Mt | Cu% | Mt | Cu% | Cu (Kt) |
| Kali Kuning (COG 0.4% Cu) | | | | | | | | | |
| Primary | 1.9 | 2.7 | 0.3 | 2.9 | 0.01 | 3.0 | 2.3 | 2.7 | 62 |
| Transition | 0.1 | 1.4 | 0.1 | 1.2 | 0.03 | 1.5 | 0.1 | 1.3 | 2 |
| Leached | 0.01 | 0.6 | 0.002 | 0.8 | 0.001 | 0.8 | 0.01 | 0.6 | 0.1 |
| Total | 2.0 | 2.7 | 0.4 | 2.6 | 0.04 | 1.9 | 2.4 | 2.6 | 64 |
| Lerokis (COG 0.5% Cu) | | | | | | | | | |
| SBX | 0.1 | 0.8 | 0.06 | 0.9 | - | - | 0.1 | 0.8 | 1 |
| MPY | 1.1 | 1.5 | 0.04 | 0.9 | 0.02 | 1.0 | 1.2 | 1.5 | 17 |
| PBX2 | 1.2 | 3.3 | - | - | - | - | 1.2 | 3.3 | 39 |
| BKO | 0.4 | 5.5 | - | - | - | - | 0.4 | 5.5 | 24 |
| Total | 2.8 | 2.9 | 0.1 | 0.9 | 0.0 | 1.0 | 2.9 | 2.8 | 82 |
| Total Kali Kuning and Lerokis Open Pits | | | | | | | | | |
| COG as above | 4.8 | 2.8 | 0.5 | 2.2 | 0.1 | 1.6 | 5.3 | 2.7 | 145 |
| Heap Leach Pads (ex-mine minus cathode production and decommissioned leach pads) | | | | | | | | | |
| Kali Kuning Valley | 4.3 | 1.4 | - | - | - | - | 4.3 | 1.4 | 60 |
| Total | 4.3 | 1.4 | - | - | - | - | 4.3 | 1.4 | 60 |
| Total Mineral Resource (including Heap Leach Pads) | | | | | | | | | |
| TOTAL | 9.1 | 2.1 | 0.5 | 2.2 | 0.1 | 1.6 | 9.6 | 2.1 | 206 |

Note: Rounding errors may occur. Mineral Resources which are not included in the following Ore Reserve compilation do not have demonstrated economic viability.

The Proved and Probable Reserve for the Wetar Copper Project as at 1st December 2017 on a 100% equity basis stands at 9.3 million tonnes at 2.1% copper for 196,000 contained tonnes of copper metal as summarized in the following table:

Wetar Copper Project – Ore Reserve Estimate as at 1st December 2017

| | Proved | | Probable | | | Total | |
|---|------------|------------|-------------|-----------------|-------------|------------|------------|
| | Mt | Cu% | Mt | Cu% | Mt | Cu% | Cu (Kt) |
| Kali Kuning Open Pit (COG 0.4% Cu) | | | | | | | |
| Primary | 1.9 | 2.6 | 0.3 | 2.8 | 2.2 | 2.7 | 58 |
| Transition | 0.1 | 1.3 | 0.1 | 1.2 | 0.1 | 1.3 | 1 |
| Leached | 0.01 | 0.6 | 0.002 | 0.8 | 0.01 | 0.6 | 0.0 |
| Total | 2.0 | 2.6 | 0.3 | 2.6 | 2.3 | 2.6 | 60 |
| | | | | Waste | 0.8 | | |
| | | | | Stripping Ratio | 0.3 | | |
| Lerokis Open Pit (COG 0.5% Cu) | | | | | | | |
| SBX | 0.05 | 0.8 | 0.03 | 0.9 | 0.1 | 0.9 | 1 |
| MPY | 1.1 | 1.5 | 0.01 | 0.7 | 1.1 | 1.5 | 16 |
| PBX2 | 1.1 | 3.2 | - | - | 1.1 | 3.2 | 37 |
| BKO | 0.4 | 5.3 | - | - | 0.4 | 5.3 | 23 |
| Total | 2.7 | 2.8 | 0.04 | 0.9 | 2.7 | 2.8 | 76 |
| | | | | Waste | 2.6 | | |
| | | | | Stripping Ratio | 0.97 | | |
| Total Kali Kuning and Lerokis Open Pits | | | | | | | |
| COG as above | 4.7 | 2.7 | 0.4 | 2.4 | 5.0 | 2.7 | 136 |
| | | | | Waste | 3.4 | | |
| | | | | Stripping Ratio | 0.7 | | |
| Heap Leach Pads (ex-mine minus cathode production and decommissioned leach pads) | | | | | | | |
| Kali Kuning Valley | 4.3 | 1.4 | - | - | 4.3 | 1.4 | 60 |
| Total | 4.3 | 1.4 | - | - | 4.3 | 1.4 | 60 |
| Total Ore Reserve (including Heap Leach Pads) | | | | | | | |
| COGs as above | 8.9 | 2.1 | 0.4 | 2.4 | 9.3 | 2.1 | 196 |

Notes: The Ore Reserve Estimate for the open pit mines is derived from the Mineral Resource block models for the Kali Kuning and Lerokis deposits. The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually the columns and rows in the above table may not show exact sums or weighted averages of the reported tonnes and grades. "Stripping Ratio" refers to the ratio of the waste to the ore tonnage.

Mineral Resource Estimate

The information in this report that relates to mineral resource estimation for the Kali Kuning and Lerokis deposits is based on prior work completed by external consultants that has been reviewed by Mr Terry Burns who is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy (#107527).

Mr Burns has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Burns is contracted by Banda Minerals Pty Ltd, a 100% owned subsidiary of Finders Resources Limited, and consents to the inclusion in the reports of the matters based on his information in the form and context in which it appears.

Ore Reserve Estimate

The information in this report that relates to the in-situ ore reserve estimation at the Kali Kuning and Lerokis deposits is based on ongoing and prior work completed by external consultants and PT Batutua Tembaga Raya employees that has been reviewed by Mr Nick Holthouse who is a full-time employee of PT Batutua Tembaga Raya (a subsidiary of Finders Resources Limited) and who is a Member of the Australasian Institute of Mining and Metallurgy (#305303). The information in this report that relates to the ore reserve estimation for the heap leach pads is based on ongoing and prior work completed by external consultants and PT Batutua Tembaga Raya employees that has been reviewed by Mr Adam Moroney who is a full time employee of PT Batutua Tembaga Raya (a subsidiary of Finders Resources Limited) and who is a Member of the Australasian Institute of Mining and Metallurgy (#315559).

Both Mr Holthouse and Mr Moroney have sufficient experience which is relevant to the style of mineralisation, the type of deposit and the beneficiation method under consideration and to the activity which they are undertaking to qualify as Competent Persons

as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Both Mr Holthouse and Mr Moroney consent to the inclusion in the report of the matters based on their reviewed information in the form and context in which it appears.

Tenements and Permits

| IUP Decision No. | Type | Mineral | Expiry Date | Area | Term | Holder |
|------------------------|------------------|---------------------|--------------------------|-------|----------|--------|
| 543 - 124 Tahun 2011 | IUP Exploitation | Copper | 09 Jun 2031 | 2,733 | 20 years | BKP |
| 540 - 317.a Tahun 2012 | IUP Exploitation | Sand, gravel, stone | 01 Nov 2017 ¹ | 80.55 | 5 years | BKP |
| 540 - 317.b Tahun 2012 | IUP Exploitation | Limestone | 01 Nov 2017 ¹ | 1,425 | 5 years | BKP |
| 540 - 28.b Tahun 2010 | IUP Exploitation | Barite | 01 Mar 2016 ¹ | 515 | 6 years | BBW |

1. Application for IUP Exploitation has been lodged

Occupational Health & Safety (OH&S)

Finders and its partners are committed to the highest standards of occupational health and safety and believe that every employee, subcontractor and visitor who comes to site has the right to leave free of injury or work-related injury.

Throughout 2017, there were only two Lost Time Injuries and two Restricted work injuries recorded. First aid injuries were reduced by 42%, near-miss incidents reduced by 39% and medically treated injuries reduced by 50% compared to 2016, reflecting site management's commitment to building a safety culture around accountability and personal responsibility.

In July 2017, two operators were injured when a mobile crushing unit track frame snapped, with metal fragments becoming imbedded in their legs. They were transported from Wetar for treatment and returned to work. Prior to this incident, the site had achieved more than 1,200 days without a lost time injury including during the construction and commissioning period.

The Lost Time Injury Frequency Rate (LTIFR) at the end of December 2017 was 0.7. The Total Recordable Injury Frequency Rate (TRIFR) was 3.3.

Safety systems development continued to focus on prevention of incidents and improving the safety culture of employees and contractors, with risks associated with hazards and their identification and management a key focus.

Wetar Community Development

Finders and its partners are committed to responsible social management, and Finders believes that building relationships with local communities based on trust and mutual respect is paramount to business success and sustainability.

Finders acknowledges its social responsibility such that its projects should bring benefits to the surrounding communities. Stakeholder engagement includes information meetings and site visits with various Government officials, community leaders, elders and landowners.

Finders community development programs assist with health, education and sustainable development and include:

- agricultural initiatives, including growing spices and vegetables, producing honey and farming chickens, cows and pigs;
- a community employment initiative, which was extended to island villages further afield of the Wetar Copper Project following the successful recruitment program from three local villages. At the end of 2017, Finders employed 146 Wetar local residents out of 292 employees, not including those employed by contractors who employed 113 employees from Maluku Barat Daya out of 310 and those who supply goods and services to the project, comprising 43% of the Wetar Copper Project employees and contractors;
- education initiatives, including school and teacher funding, provision of scholarships for Wetar children to attend higher schools off Wetar Island and the supply of boarding houses in Kupang for off Wetar students;
- infrastructure projects, such as building school buildings, meeting houses and churches. The Wetar Copper Project is currently building a large church in Uhak for the community and represents the largest single investment in this village by Finders, continuing the Company's long history of engagement and support of the local communities;
- staffing of the local health centre and two medical posts and training and funding nurses, midwives and immunisation programs;
- operation of an emergency airstrip for medical evacuation of both employees and local residents; and
- allocation of 10% of the available passenger seats to the local community on marine vessels servicing the Wetar Copper Project.

As part of Finders annual commitment, many of these community programs are constantly reviewed to ensure that they remain effective and appropriate and produce long lasting results after the mining operations have ceased. An independent consultant has been engaged to review all current community development programs and recommend further areas of investment where the Company's endeavours will have long lasting benefits beyond the life of the Project.

Wetar Environmental Management

Responsible environmental management and leading environmental performance is integral to an effective and successful company.

The Company adopts "best practice" environmental management techniques from the wider mining community, particularly Australian standards of operation, in managing environmental issues at all of its project areas.

The Company has engaged reputable independent consultants to undertake extensive environmental studies, including base line studies, design of monitoring programs and rehabilitation. Rehabilitation through re-seeding of plants, has already commenced in certain areas of the site where earthworks have been completed.

The Wetar Project is subject to relevant environmental regulations in Indonesia and will themselves have varying levels and types of potential impact on the natural environment. The Wetar Project site has historical degradation from former gold mining operations and the baseline reflects water quality in an area of acid rock drainage and former gold mining activities. Monitoring activities are conducted under the auspices of an approved environmental permit and all environmental studies and on-going monitoring results are reported on a quarterly basis to the relevant Indonesian authorities.

The Company is also required to comply with Indonesian laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials.

Environmental monitoring activities and reporting to the relevant Indonesian authorities in accordance with the Project's environmental permit was ongoing and no non-compliance occurrences were reported for the 12-month period.

Water quality monitoring includes daily pH and weekly pH and dissolved metal monitoring. Water quality analysis at the wetland discharge compliance point was completed in accordance with requirements and no non-compliances occurred.

CORPORATE

Cash and Project Finance Facility

Finders previously entered into a Senior Facilities Agreement with BNP Paribas, Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation (HSBC) and Societe Generale ("the Senior Lenders"), providing for a US\$162 million commitment from the Senior Lenders, consisting of:

- US\$127 million term loan facility;
- US\$20 million cost overrun facility;
- US\$15 million VAT working capital facility.

The facilities enabled completion of the 25,000tpa SX-EW plant.

Following the hedge restructure announced on 15 September 2016, which yielded proceeds of US\$42.5 million, several additional changes were made to the senior debt facilities including:

- Minimum mandatory copper hedging for 2017 - 2019 reduced from 32,951 tonnes to 16,476 tonnes;
- Additional discretionary hedging lines available for up to 6,000 tonnes of copper; and
- Repayment profile amended to reflect the revised cashflow profile of the Project.

During the year, the Group made repayments of US\$23.5 million on the Term Loan Facility. The total amount drawn under the Senior Facilities Agreement as at the end of the year was US\$60.5 million.

In July 2017, the Project achieved Project Completion under the Senior Facilities Agreement. Project Completion occurs when the Senior Lenders and their independent engineer accept that the Project is operating in line with all key physical and financial parameters. The Group was required to demonstrate Project Completion over a three-month period to 31 May 2017. This was an important milestone under the Senior Facilities Agreement and demonstrated independent corroboration of the assumptions set out in the Project's Bankable Feasibility Study (BFS).

In the December 2017 quarter, Finders successfully renegotiated with the Senior Lenders under the Wetar Facility Agreement regarding the payment schedule for the Debt Service Reserve Account ("DRSA"). BTR paid US\$9 million into the DRSA at the end of December, with a further US\$4.5 million to be paid by the end of March 2018 and the remaining balance of approximately US\$4.5 million to be paid by the end of June 2018.

The Group fully repaid the VAT facility after repayments of US\$7.4 million in the March, June and September quarters.

As at 31 December 2017, Finders and BTR had cash of \$2.2 million.

Tax Incentive

In the June quarter, BTR was granted a Tax Incentive Facility by the Indonesian Government. The Facility provides for benefits including:

1. Accelerated depreciation for selected project assets;
2. An increase in the value of selected project assets by 30% for tax depreciation purposes; and
3. A reduction in the withholding tax rate on dividends from BTR to Australia from 15% to 10%.

BTR estimates that the income tax benefit of items 1 and 2 alone is more than US\$10 million over the life of the Project.

Hedging

BTR commenced a discretionary hedging program during the June quarter, aiming to increase the level of short-term hedging to reduce short-term pricing volatility and lock in favourable copper pricing.

As at 31 December 2017, BTR had hedged 5,400 tonnes of copper under its discretionary hedging program at an average price of US\$7,000 per tonne.

Under the mandatory hedging program, Finders had hedged a total of 8,791 tonnes at 31 December 2017 at an average price of US\$4,792 per tonne with maturities between January 2018 and March 2019.

The book value of copper hedges entered by the Group as at 31 December 2017 was US\$(23.4) million.

Project Ownership

During the March 2017 quarter, Finders increased its equity ownership in the Wetar Copper Project from 72% to 73.5%, and this subsequently increased to 74.1% as a result of additional investment into BTR. The interest of Posco Daewoo Corporation reduced to 20.9%. The interest of Finders' local Indonesian partner remained unchanged at 5%.

Capital Structure

During the June quarter, a total of 22.9 million options with an exercise price of A\$0.35 expired unexercised and 300,000 shares issued under the Employee Share Scheme were cancelled.

At the Annual General Meeting held in May 2017, Finders shareholders approved a new Employee Share Ownership Plan and Performance Rights Plan and renewed Finders ability to issue additional shares under Listing Rule 7.1(a).

Takeover Offer

As the Chairman has explained in his statement, Eastern Field now has an interest in Finders of 91.19% as at 28 March 2018.

Directors' Report

Your Directors present their report on Finders Resources Limited ("Company") and its controlled entities ("the Group") for the year ended 31 December 2017.

Directors

The names, qualifications, experience, responsibilities and interest of Directors during the financial year and up to the date of this report are:

| | | |
|---|---|---|
| Gary Comb (Appointed 3 June 2013) | — | Non-Executive Chairman |
| Qualifications | — | BE(Mech), BSc, DipEd |
| Experience | — | Mr Comb has over 35 years' experience in the mining industry, most recently as Managing Director of Jabiru Metals Ltd where he oversaw the acquisition, feasibility study and construction of the Jaguar copper/zinc mine in Western Australia as well as the successful sale of the company to Independence Group NL. |
| Interest in Shares and Options | — | 2,066,667 Ordinary Shares 7,500,000 Ordinary Shares under incentive plan |
| Special Responsibilities | — | Chairman of Remuneration and Nomination Committee Member of Audit Committee |
| Other Listed Company Directorships in last 3 years | — | Aurelia Metals Limited (resigned 30 June 2017) Ironbark Zinc Limited |
| Barry Cahill (Appointed 22 August 2013) | — | Managing Director |
| Qualifications | — | BE (Mining), MAusIMM, MAICD |
| Experience | — | Mr Cahill is a mining engineer with over 30 years' experience in exploration, operational mining and management throughout Australia. He has extensive experience in the management of all facets of operating mines including regional exploration, resource drilling, underground and open pit mining, ore processing facilities, both as a mining contractor and an operator. He has also had particular experience in the management of project development and construction from initial exploration drilling phase right through to project funding and then onto project commissioning and development. Mr Cahill has been an executive director of a number of public companies including operations director of Perilya Limited, managing director of Australian Mines Limited and managing director of Norseman Gold Plc, a company listed on the London AIM market and the ASX. He is a member of the Australasian Institute of Mining & Metallurgy and a member of the Australian Institute of Company Directors. |
| Interest in Shares and Options | — | 800,000 Ordinary Shares 3,000,000 Ordinary Shares under incentive plan |
| Special Responsibilities | — | Nil |
| Other Listed Company Directorships in last 3 years | — | Nil |

| | | |
|---|---|--|
| Gavin Caudle (Appointed 15 August 2013) | — | Non-Executive Director |
| Qualifications | — | BCom (UWA) |
| Experience | — | Mr Caudle has over 25 years' experience in the finance and investment sectors in Australia, Singapore and Indonesia. He was previously a partner in the Arthur Andersen Jakarta office and Country Head of the Investment Bank, Salomon Smith Barney, for Indonesia. Since 2003, together with his partners, Mr Caudle has developed numerous successful businesses including Tower Bersama Group (a telecommunications infrastructure business), Provident Agro (a plantation business) and Merdeka Copper & Gold with assets valued at more than \$3 billion. |
| Interest in Shares and Options | — | 153,248,198 Ordinary Shares |
| Special Responsibilities | — | Chairman of Audit Committee Member of Remuneration and Nomination Committee |
| Other Listed Company Directorships in last 3 years | — | Sihayo Gold Limited Sumatra Copper & Gold Plc PT. Merdeka Copper & Gold Tbk. |
| Gordon Galt (Appointed 22 August 2013) | — | Non-Executive Director |
| Qualifications | — | BE (Mining), B.Comm, Grad Dip Finance, MAusIMM, MAICD |
| Experience | — | Mr Galt is a mining engineer and resources financier with over 40 years' experience. He is currently Chairman of Realm Resources Ltd, Nucoal Resources Ltd and Lefroy Exploration Ltd. He is a Principal of Taurus Funds Management. |
| Interest in Shares and Options | — | Nil |
| Special Responsibilities | — | Member of Audit Committee Member of Remuneration and Nomination Committee |
| Other Listed Company Directorships in last 3 years | — | Delta SBD Ltd (resigned 1 July 2016) Chairman - Realm Resources Limited Chairman - Nucoal Resources Limited Chairman - Lefroy Exploration Limited |
| Michael Anderson (Appointed 16 September 2016) | — | Alternate Director for Gordon Galt |
| Qualifications | — | PhD, Geology |
| Experience | — | Mr Anderson has over 20 years' industry experience, largely in southern Africa and Australia. His career commenced as a geologist with Anglo American, followed by roles in the metallurgical and engineering industries with Mintek, Bateman and Kellogg Brown & Root. He subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited, and Managing Director at Exco Resources Limited, where he oversaw the successful development of the White Dam Gold Project, and the sale of the Company's Cloncurry Copper Project to Xstrata. He joined Taurus Funds Management as a Director in August 2011. |
| Interest in Shares and Options | — | Nil |
| Special Responsibilities | — | Nil |
| Other Listed Company Directorships in last 3 years | — | Base Resources Limited (resigned 31 August 2017) Hot Chili Limited |

| | | |
|--|---|---|
| Douglas Tay (Appointed 30 May 2014) | — | Alternate Director for Gavin Caudle |
| Qualifications | — | BA |
| Experience | — | Mr Tay is currently a Director of Provident Capital Partners, an investment company with interests in gold and copper mining, telecom infrastructure, palm plantations, real estate and biomass trading. Prior to joining Provident, he spent 10 years in Citigroup's investment banking and proprietary trading divisions, focusing on Southeast Asia. |
| Interest in Shares and Options | — | 413,333 Ordinary Shares |
| Special Responsibilities | — | Nil |
| Other Listed Company | — | Nil |
| Directorships in last 3 years | | |

Company Secretary

| | | |
|---|---|---|
| Susan Hunter (Appointed 15 September 2017) | | |
| Qualifications | — | BCom, ACA, F Fin, GAICD, AGIA |
| Experience | — | Ms Hunter has over 20 years' experience in the corporate finance industry. She is founder and managing director of consulting firm Hunter Corporate Pty Ltd, which specialises in provision of corporate governance and company secretarial advice to listed and unlisted companies, and has previously held senior management roles at Ernst & Young, PricewaterhouseCoopers and Bankwest. |
| Interest in Shares and Options | — | Nil |
| Special Responsibilities | — | Nil |
| Other Listed Company | — | Nil |
| Directorships in last 3 years | | |

| | | |
|---|---|--|
| James Wentworth (Appointed 6 September 2013) (Resigned 15 September 2017) | | |
| Qualifications | — | LLB, BCom |
| Experience | — | Mr Wentworth is a qualified solicitor with over 20 years of financial and commercial experience, focussing on the mining and mining services industries. He was formerly Finance Director of the Company and is currently a non-executive director of Mastermyne Group Limited. Prior to joining the Company, he spent nine years with Sydney-based private equity firm CHAMP Ventures where he was a director and member of the investment committee. |
| Interest in Shares and Options | — | 900,000 Ordinary Shares under incentive plan |
| Special Responsibilities | — | Nil |
| Other Listed Company | — | Mastermyne Group Limited (resigned 15 April 2016) |
| Directorships in last 3 years | | |

Principal Activities

The principal activities of the Group during the financial year were:

- a) Mining activities at the Wetar Copper Project;
- b) Operation of a 3,000 t.p.a. SX-EW plant at the Wetar Copper Project;
- c) Operation of a 25,000 t.p.a SX-EW plant at the Wetar Copper Project to expand its copper production capacity to 28,000 t.p.a;
- d) Exploration for copper and gold in Indonesia.

Now that the 25,000 t.p.a expansion project is complete the Company's business strategy and priority is to extending the mine life of the Wetar Copper Project and reducing debt.

Operating and Financial Review

The operating and financial review of operations during the year are set out on pages 6 to 14.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- a) 23,160 tonnes of +99.99% pure copper cathode was produced from both SX-EW plants;
- b) The C1 cash cost averaged US\$1.05 per pound of copper produced for the year;
- c) A Mineral Resource and Ore Reserve upgrade for Lerokis was released on 21 November 2017 with contained copper metal increasing by 20,800 tonnes (or 34%) to 81,800 tonnes and the Ore Reserve increasing by 17,200 tonnes (or 29%) to 76,200 tonnes of contained copper metal;
- d) During the year, the Group made repayments of US\$23.5 million on the Term Loan Facility and fully repaid the VAT facility after repayments of US\$7.4 million. The total amount drawn under the Senior Facilities Agreement as at the end of the year was US\$60.5 million;
- e) The Group increased its equity ownership in the Wetar Copper Project from 72% to 73.5%, and this subsequently increased to 74.1% as a results of additional investment into BTR. The interest of Posco Daewoo Corporation reduced to 20.9%. The interest of Finders' local Indonesian partner remained unchanged at 5%.

Likely Developments and Expected Results

The Wetar Copper Project will have capacity to produce a total of 28,000 t.p.a. of copper cathode from two SX-EW plants, and will aim to reach nameplate capacity on a sustainable basis in 2018 thereby completing the transformation of the Company into a significant and low-cost copper cathode producer.

Significant Events after Balance Date

Eastern Field Takeover Offer

During 2017, Finders Resources Limited became the target of an unsolicited off-market takeover offer by Eastern Field Developments Limited (Eastern Field), (the Offer), a special purpose vehicle jointly owned by Procap Partners Limited, PT Saratoga Investama Sedaya Tbk and PT Merdeka Copper Gold Tbk. Eastern Field announced its off-market cash offer to acquire Finders for \$0.23 per share on 6 October 2017 and the Offer opened on 20 November 2017. On 15 February 2018, Eastern Field declared the Offer unconditional and on 19 March 2018, Eastern Field acquired a relevant interest in 60.22% of Finders shares, and therefore a controlling interest in Finders Resources Limited. On 29 March 2018, Eastern Field has notified that it has a relevant interest in 91.19% of Finders shares on issue as at 28 March 2018, and the Offer is due to close on 30 March 2018.

As a consequence of Eastern Field acquiring a controlling interest in Finders Resources Limited, the banking syndicate were notified that a review event had occurred as defined in the Senior Secured Project Finance Facility (refer note 14) which requires the majority of the lenders under the Senior Secured Project Finance Facility to consult in good faith for a period of 30 days in relation to the change of control and its implications for the Wetar copper project. If, after the 30 day negotiation period, the facility agent (acting on behalf of the majority lenders) notifies the Group that it does not consider the change of control of Finders to be acceptable, the Group must refinance the facility within 90 days of the facility agent providing that notice. Failure to refinance the facility within 90 days in the circumstances will constitute an event of default under the Senior Secured Project Finance Facility.

Dividends Paid or Recommended

There was no dividend paid, recommended or declared but not paid, during the financial year.

Environmental Issues

The Group adopts “best practice” environmental management techniques from the wider mining community, particularly Australian standards of operation, in managing environmental issues at all its project areas.

In each of the project areas, the Group has engaged reputable independent consultants to undertake extensive environmental studies, including base line studies, design of monitoring programmes and rehabilitation. The Group is not aware of any endangered species of flora or fauna in these project areas.

Projects are subject to relevant environmental regulation in Indonesia and will themselves have varying levels and types of potential impact on the natural environment. Wetar has historical degradation from former gold mining operations and the baseline reflects water quality in an area of acid rock drainage and former gold mining activities, monitoring activities are conducted under the auspices of an approved environmental permit and all environmental studies and on-going monitoring results are reported on a quarterly basis to the relevant Indonesian authorities.

The Group is required to comply with Indonesian laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials.

Meetings of Directors and Board Committees

Attendances by each director during the year were as follows:

| | Directors Meetings | | Audit Committee Meeting | | Remuneration Committee Meeting | |
|--------------|--------------------|----------|-------------------------|----------|--------------------------------|----------|
| | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| Gary Comb | 9 | 9 | 2 | 2 | 1 | 1 |
| Barry Cahill | 9 | 9 | - | - | - | - |
| Gavin Caudle | 9 | 9 | 2 | 2 | 1 | 1 |
| Gordon Galt | 9 | 7 | 2 | 2 | 1 | 1 |

Indemnifying Directors and Other Officers

The Company's constitution provides that "to the extent permitted by the Corporations Act 2001, the Company may indemnify:

- a) every person who is or has been an officer of the Company; and
- b) where the Board of Directors considers it appropriate to do so, any person who is or has been an officer of a related body corporate of the Company;

against any liability incurred by that person in his or her capacity as an officer of the Company or of the related body corporate (as the case may be)."

During the financial year, the Company paid a premium and other charges for a Directors and Officers Liability Insurance Policy for the benefit of the directors, secretary, officers and employees of the Company. The policy prohibits disclosure of the terms of the policy, including the amount insured, the insuring clauses and exclusions and the amount of premium paid.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-audit Services

The Company may engage the services of its auditor on other assignments in addition to the statutory audit where the firm's expertise and experience with the Company are beneficial.

During the financial year, the Company did not engage the auditor, Ernst & Young, for any non-audit services (2016: Nil).

Full details of the auditor's remuneration are set out in Note 25 to the financial statements.

Auditor's Independence Declaration

The auditor's independence declaration pursuant to section 307C of the *Corporations Act 2001* is set out on page 32.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in ASIC Corporations (Round in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Remuneration Report - Audited

This report details the nature and amount of remuneration for key management personnel (KMP).

The KMP of the Group during the year were:

| Name | Position | Term as KMP |
|--------------------------------|--|-----------------------------|
| Directors | | |
| Gary Comb | Non-Executive Chairman | Full financial year |
| Barry Cahill | Managing Director | Full financial year |
| Gordon Galt | Non-Executive Director | Full financial year |
| Gavin Caudle | Non-Executive Director | Full financial year |
| Douglas Tay | Alternate for Gavin Caudle | Full financial year |
| Michael Anderson | Alternate for Gordon Galt | Full financial year |
| Other key management personnel | | |
| Wayne Apted | Chief Financial Officer | Appointed 15 September 2017 |
| James Wentworth | Chief Financial Officer / Company Secretary | Ceased 15 September 2017 |
| Andrew Reid | Chief Operations Officer | Appointed 1 June 2017 |

Remuneration policy

The remuneration policy is designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance indicators affecting the Group's operational and financial results. The policy ensures that the remuneration level is commensurate with the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating employees of the highest calibre, as well as creating goal congruence between directors, executives, shareholders and all other stakeholders.

The remuneration policy, which sets the terms and conditions for senior executives, was developed by the Remuneration Committee and approved by the Board.

All key management personnel receive a base salary, superannuation and may benefit from the Company's performance bonus plan and long term incentive schemes. The Board (including non-executive directors) are remunerated by means of a fixed annual salary and superannuation, having regard to comparable companies from time to time.

The employment conditions of the managing director and specified executives are formalised in contracts of employment.

Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. A review of non-executive director remuneration was conducted during the year utilising independent external advice.

The Remuneration Committee approved the engagement of Mining People International (MPI) to perform a peer review of executive remuneration. MPI and the Committee are satisfied the information received from MPI is free from undue influence from the executives to whom the review relates. MPI also assists the company with staff recruitment.

The remuneration review was provided to the Committee as an input into decision making only. The Remuneration Committee considered the information, along with other factors, in making its remuneration decisions.

The fee paid to MPI for the remuneration review was \$8,500. In addition to providing the remuneration review, MPI provided recruitment and labour hire services and was paid a total of \$101,000 for these services.

The Company's Constitution requires that the remuneration payable to non-executive directors shall be an amount not exceeding in aggregate a maximum sum that is approved by resolution of the Company, currently \$350,000 per annum.

Where required, the Company also makes statutory superannuation contributions, currently 9.5% of directors' fees, for the benefit of the directors. There are no schemes for retirement benefits other than statutory superannuation for both executives and non-executive directors.

Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with those of shareholders, the directors are encouraged to hold shares in the Company.

Performance-based remuneration

Short-term incentives

A short-term incentive scheme is in place for the managing director and key management personnel. The key performance indicators used to assess the amount of the short-term incentive are set at the start of each year by the Remuneration Committee and reflect the priorities of the Group for that year. The Board will determine the incentive payable within three months of the end of the each half year. The managing director will not be entitled to a short-term incentive in respect of a financial year if his employment ceases before the end of that year.

The managing director is eligible for a short-term incentive paid in shares to the value equal to a percentage of his annual base salary each financial year. No key performance indicators for the short-term incentive were set for the 2017 period.

In 2018, amount that will be paid to the managing director is based on the extent to which the Group achieves its expected outcomes for the year:

| | Incentive as % of base salary |
|--|-------------------------------|
| Performance at or below expected performance | 0% |
| Performance generally above expected performance | 30% |
| Performance consistently exceeded expected performance | 70% |
| Considerable additional value added in addition to consistently exceeding expected performance | 100% |

Key management personnel and other employees and contractors are eligible for short-term incentives paid in cash. The maximum cash bonus an individual is eligible for is 20 percent of his or her base salary.

The cash bonus is calculated according to the percentage attainment of specific performance targets for the Wetar Copper Project, calculated at six monthly intervals. The current performance areas, key performance indicator and weighting used to calculate percentage of incentive payable are:

| Performance area | Key performance indicator | Weighting |
|------------------|--|-----------|
| Safety | Total Reportable Injury Frequency Rate | 20% |
| Production | Tonnes copper stripped | 35% |
| Cost | C1 costs per pound of copper produced | 35% |
| Quality | % of LME grade A copper produced | 10% |

An individual performance area may have a score of greater than 100 percent however the total cash bonus payable is capped at 20 percent of an individual's base salary.

The cash bonus is calculated half-yearly for the financial year and payable at 12 months from the start date of the half-year period that is being paid. If an individual is employed partway through a 6-month period, he or she is eligible on a pro-rata basis for the duration of their employment in that six-month period. If employment ceases prior to the completion of a 6-month period, the individual will not be eligible for any bonus for that period.

Long-term incentives

The Company has in place two long-term incentive schemes: a performance rights plan and an employee share ownership plan.

The Board may, at its discretion, offer performance rights to directors, the managing director, key management personnel and other employees. The key performance indicators used to assess the amount of the long-term incentives are determined by the Remuneration Committee and reflect the priorities of the Group. If the vesting conditions and performance criteria are met the rights automatically exercise and one fully paid ordinary share will be issued for each right with no payment required by the participant.

The managing director's executive service agreement includes an award of 4 million performance rights with a term of 8 years. Shareholder approval for the award will be sought at this year's annual general meeting. The rights will vest in three tranches on achievement of the performance criteria relevant to each tranche:

| Tranche 1 | Tranche 2 | Tranche 3 |
|---------------------|---------------------|--|
| Production increase | Production increase | Positive feasibility study for organic growth or value accretive acquisition |
| Resource extension | Resource extension | Production continuity |
| Cost performance | Cost performance | Cost performance |

Performance rights granted to key management personnel during the year contained the following performance criteria based on the relevant financial year:

| Tranche 1 | Tranche 2 |
|------------------------|---|
| 2017 production target | 2018 production target |
| 2017 cost performance | 2018 cost performance |
| Drilling programs | Resource definition and project development |

The 2017 targets were not reached and the performance rights lapsed.

The Board may invite directors, employees and contractors to participate in the Finders Employee Share Ownership Plan. Participants are offered the opportunity to acquire ordinary shares of the Company funded by an interest free limited recourse loan from the Company. The shares are not issued at a discount and are subject to vesting conditions and performance criteria. The participant may only deal with shares that have vested once the loan has been repaid. These shares are referred to as incentive shares in this report.

No incentive shares were issued during the year. The chairman and managing director each hold a tranche of unvested incentive shares that were granted on 8 November 2013. The vesting conditions and performance criteria are:

| Participant | Tranche | No. of shares | Exercise price per share | Vesting conditions and performance criteria |
|--------------|---------|---------------|--------------------------|---|
| Gary Comb | 3 | 2,500,000 | \$0.2008-\$0.3008 | Expand Wetar life of mine production to equivalent of at least 250,000 tonnes of copper cathode Remain a director for at least four years from issue date |
| Barry Cahill | 3 | 1,000,000 | \$0.2008-\$0.3008 | Expand Wetar life of mine production to equivalent of at least 250,000 tonnes of copper cathode Remain managing director for at least four years from issue date |

If a holder of incentive shares or performance rights leaves the Company for any reason the Company may sell the shares and apply the proceeds to recover the loan irrespective of whether the applicable vesting conditions have been satisfied. The holder is not liable for any shortfall in proceeds to repay the loan. In the event of a takeover of the Company becoming unconditional the vesting conditions under which the incentive shares and the performance rights have been issued are deemed to have been met. Cash distributions for shares on which a loan is outstanding are required to be applied against the loan.

Company performance and directors and executive remuneration

The table below summarises the Company's performance over the last 5 years.

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------------------------|-----------|----------|---------|---------|----------|
| Net (profit)/loss after tax | (\$56.3m) | \$13.1m | \$29.5m | \$20.5m | \$20.4m |
| (Profit)/loss per share | (\$0.073) | \$0.019 | \$0.044 | \$0.033 | \$0.050 |
| Diluted (profit)/loss per share | (\$0.073) | \$0.019 | \$0.044 | \$0.033 | \$0.050 |
| Closing share price | \$0.04 | \$0.150 | \$0.135 | \$0.150 | \$0.210 |
| Market capitalisation | \$182.8m | \$114.2m | \$89.3m | \$99.2m | \$104.3m |

Details of remuneration

The remuneration of Directors and Key Management Personnel is outlined overleaf. Cash bonuses, incentive shares and performance rights are linked to performance.

| 31 December 2017 | Short Term Benefits | | | Long Term Benefits ² | Post-Employment | Share Based Payments | Termination Benefits | Total | Performance Related % | Cash value of earnings realised ³ |
|---------------------------------|---------------------|----------------------|--------------------|---------------------------------|-----------------|-----------------------------|----------------------|------------------|-----------------------|--|
| | Salary and fees | Cash bonus | Other ¹ | | | | | | | |
| Directors | | | | | | | | | | |
| Gary Comb | 85,000 | - | - | - | 8,075 | 72,917 | - | 165,992 | 44% | 93,075 |
| Barry Cahill | 412,500 | 400,000 ⁴ | 2,680 | 59,234 | 22,154 | 29,167 ⁵ | - | 925,735 | 46% | 437,334 |
| Gordon Galt | 24,000 | - | - | - | 2,280 | - | - | 26,280 | - | 26,280 |
| Gavin Caudle | 48,000 | - | - | - | 4,560 | - | - | 52,560 | - | 52,560 |
| Alternate Directors | | | | | | | | | | |
| Michael Anderson | 24,000 | - | - | - | 2,280 | - | - | 26,280 | - | 26,280 |
| Douglas Tay | - | - | - | - | - | - | - | - | - | - |
| Key Management Personnel | | | | | | | | | | |
| Wayne Apted ⁶ | 80,208 | 26,244 | - | 11,064 | 8,009 | - | - | 125,525 | 21% | 114,461 |
| James Wentworth ⁷ | 313,914 | 120,000 | - | 47,716 | 8,320 | 3,194 | 72,831 | 565,975 | 22% | 515,065 |
| Andrew Reid ¹⁰ | 220,500 | 5,481 ¹² | - | 16,915 | - | - | - | 242,896 | 2% | 225,981 |
| | 1,208,122 | 551,725 | 2,680 | 134,929 | 55,678 | 105,278¹¹ | 72,831 | 2,131,243 | | 1,491,036 |

ANNUAL REPORT 31 DECEMBER 2017

Remuneration Report

| 31 December 2016 | Short Term Benefits | | | Long Term Benefits | Post-Employment | Share Based Payments | Termination Benefits | Total | Performance Related % | Cash value of earnings realised ³ |
|---------------------------------|---------------------|------------|--------------------|--------------------|-----------------|-----------------------------|----------------------|------------------|-----------------------|--|
| | Salary and fees | Cash bonus | Other ¹ | Leave ² | Super-annuation | | | | | |
| Directors | | | | | | | | | | |
| Gary Comb | 50,000 | - | - | - | 4,750 | 87,500 | - | 142,250 | 62% | 54,750 |
| Barry Cahill | 400,000 | - | - | 35,737 | 19,308 | 35,000 | - | 490,045 | 7% | 419,308 |
| Christopher Farmer ⁸ | 68,792 | - | 168,594 | 224,825 | 176,851 | - | 89,286 | 728,348 | - | 503,523 |
| Gordon Galt | 18,000 | - | - | - | 1,710 | - | - | 19,710 | - | 19,710 |
| Gavin Caudle | 36,000 | - | - | - | 3,420 | - | - | 39,420 | - | 39,420 |
| Alternate Directors | | | | | | | | | | |
| Christopher Brown ⁹ | 13,500 | - | - | - | 1,283 | - | - | 14,783 | - | 14,783 |
| Michael Anderson | 4,500 | - | - | - | 428 | - | - | 4,928 | - | 4,928 |
| Douglas Tay | - | - | - | - | - | - | - | - | - | - |
| Key Management Personnel | | | | | | | | | | |
| James Wentworth | 351,327 | - | - | 6,377 | 8,676 | 7,012 | - | 373,392 | 2% | 360,003 |
| | 942,119 | - | 168,594 | 266,939 | 216,426 | 129,512¹¹ | 89,286 | 1,812,876 | | 1,416,425 |

- Other employment benefits represent fringe benefits tax paid and costs of housing, school fees and motor vehicles paid for expatriate employees. The Company paid a premium and other charges for a Directors and Officers Liability Insurance Policy however the policy prohibits disclosure of the amount of premium paid.
- Long term benefits includes provisions for annual and long service leave.
- Cash value of earnings realised is the sum of salaries and fees, other benefits, superannuation contributions and termination payments paid including share based payments vested during the year. This is a non-IFRS measure and is believed to be of benefit to the users of the financial statements. Total remuneration under Australian Accounting Standards is shown in the final column of the table.
- A cash bonus for Barry Cahill was approved by the Remuneration Committee and at the date of this report the amount was unpaid. The cash bonus relates to the period 22 August 2013 to 30 June 2017.
- Barry Cahill was granted 4,000,000 Performance Rights as a part of his Executive Service Agreement. The grant will be submitted for approval at the next AGM.
- Wayne Apted commenced as Chief Financial Officer on 15 September 2017.
- James Wentworth resigned as Chief Financial Officer/Company Secretary on 15 September 2017.
- Christopher Farmer resigned as Director on 2 March 2016.
- Christopher Brown resigned as Alternate Director on 16 September 2016.
- Andrew Reid commenced as Chief Operating Officer on 1 June 2017.
- Total amount of share based payments is in relation to the incentive shares.
- Amount pro-rated for period of service during half-year performance assessment period.

Short-term incentives

Cash bonuses were paid during the year in recognition of performance over several years and as part of the short-term incentive program.

Separate to the short-term incentive program, the Remuneration Committee approved a cash bonuses for Barry Cahill and James Wentworth.

The managing director's executive service agreement of 23 August 2013 provided for short-term incentive payments, as shares, however no performance targets were set and no payments made for the term of the agreement. The Remuneration Committee approved the payment of the equivalent of one-year's salary as a short-term incentive for the four-year period to July 2017 in recognition of amongst others, the following achievements:

- reworking the feasibility study to create a more viable configuration for the project
- securing project finance
- constructing and commissioning the project in a timely manner within budget

In the absence of a short-term incentive scheme for James Wentworth, the Remuneration Committee awarded James a cash bonus on his departure from the business in recognition of over six years of service to the company and for his role in securing finance for and developing the Wetar Copper Project.

Key management personnel qualified for and were paid the cash component of the short-term incentive programme for the first half of 2017. The performance criteria were not achieved for the second half of 2017 and accordingly there is no entitlement for this period. Target achievement for the first half of 2017 was:

| Performance area | Measure | Target | Performance achieved |
|------------------|----------------------|--------|----------------------|
| Safety | TRFIR | 4.5 | 97% |
| Production | Copper stripped (Kt) | 14,000 | 92% |
| Cost | C1 cost (\$/lb) | 1.05 | 102% |
| Quality | % LME grade A copper | 95% | 62% |

The following table outlines the proportion of maximum cash bonus earned for 2017.

| Year ended 31 December 2017 | Maximum cash bonus opportunity (% of base salary) | % of maximum earned |
|--------------------------------|--|---------------------|
| Wayne Apted | 20% | 44% |
| Andrew Reid | 20% | 44% |

Long-term incentives

The Employee Performance Rights Plan was approved at the shareholder's annual general meeting on 25 May 2017. If the vesting conditions and performance criteria are met the options will be automatically exercised and the Board will allot and issue or transfer one fully paid ordinary share for each right with no payment required by the participant.

A total of 2.4 million performance rights were granted to key management personnel on 31 August 2017 that would vest in two tranches. The vesting conditions of the first tranche were not attained and the rights lapsed. Rights held by key management personnel were:

| Year ended 31 December 2017 | Balance 1 Jan 2017 | Granted | Vested | Lapsed | Balance 31 Dec 2017 |
|---------------------------------|-----------------------|------------------|--------|--------------------|------------------------|
| Directors | | | | | |
| Gary Comb | - | - | - | - | - |
| Barry Cahill ¹ | - | - | - | - | - |
| Gavin Caudle | - | - | - | - | - |
| Gordon Galt | - | - | - | - | - |
| Michael Anderson | - | - | - | - | - |
| Douglas Tay | - | - | - | - | - |
| Key Management Personnel | | | | | |
| Wayne Apted | - | 1,200,000 | - | (500,000) | 700,000 |
| James Wentworth | - | - | - | - | - |
| Andrew Reid | - | 1,200,000 | - | (500,000) | 700,000 |
| | - | 2,400,000 | - | (1,000,000) | 1,400,000 |

1. Barry Cahill was granted 4,000,000 Performance Rights as a part of his Executive Service Agreement. The grant will be submitted for approval at the next AGM.

Subsequent to 31 December 2017, fully paid ordinary shares were issued and allotted following deemed vesting of performance rights upon receipt of notification of the take-over offer being declared unconditional on 14 February 2018. As a result, there were no outstanding performance rights at the date of this report.

Shares issued subsequent to 31 December 2017 on deemed vesting of performance rights:

| | Number shares issued | Amount paid per share |
|-----------------|----------------------|-----------------------|
| Wayne Apted | 700,000 | - |
| Andrew Reid | 700,000 | - |
| Other employees | 2,750,000 | - |
| | 4,150,000 | |

Details of Shareholdings

Number of shares (excluding incentive shares disclosed below) in respect of which Directors and other key management personnel have a relevant interest directly or through related entities.

| Year ended 31 December 2017 | Balance 1 Jan 2017 | Acquisitions | Other | Balance 31 Dec 2017 |
|--------------------------------|-----------------------|--------------|-------|------------------------|
| Directors | | | | |
| Gary Comb | 1,066,667 | 1,000,000 | - | 2,066,667 |
| Barry Cahill | 600,000 | 200,000 | - | 800,000 |
| Gavin Caudle ¹ | 106,214,208 | 47,033,990 | - | 153,248,198 |
| Gordon Galt | - | - | - | - |
| Douglas Tay | 413,333 | - | - | 413,333 |
| Michael Anderson | - | - | - | - |

Key Management Personnel

| | | | | |
|------------------------------|--------------------|-------------------|------------------|--------------------|
| Wayne Apted | - | 1,000,000 | - | 1,000,000 |
| James Wentworth ² | 250,000 | - | (250,000) | - |
| Andrew Reid | - | - | - | - |
| | 108,544,208 | 49,233,990 | (250,000) | 157,528,198 |

1. Gavin Caudle has a relevant interest in 153,248,198 shares held by entities associated with him, comprising 106,214,208 shares registered in the name of Provident Minerals Pte Ltd and 47,033,990 shares registered in the name of PT Saratoga Investama Sedaya Tbk. Acceptances for the sale of 38,761,943 shares to Eastern Fields Development Limited, an entity associated with Mr Caudle, have been registered however the sale of these shares remains incomplete while the take-over offer remained conditional.
2. James Wentworth resigned as Chief Financial Officer/Company secretary on 15 September 2017. As at 15 September 2017 James Wentworth still held 250,000 shares.

Incentive Shares

During the period the incentive shares held by the key management personnel were:

| Year ended 31 December 2017 | Balance 1 Jan 2017 | Granted | Exercised | Lapsed | Balance 31 Dec 2017 | Vested and exercisable |
|---------------------------------|-----------------------|----------|------------------|------------------|------------------------|---------------------------|
| Directors | | | | | | |
| Gary Comb | 7,500,000 | - | - | - | 7,500,000 | 5,000,000 |
| Barry Cahill | 3,000,000 | - | - | - | 3,000,000 | 2,000,000 |
| Gavin Caudle | - | - | - | - | - | - |
| Gordon Galt | - | - | - | - | - | - |
| Michael Anderson | - | - | - | - | - | - |
| Douglas Tay | - | - | - | - | - | - |
| Key Management Personnel | | | | | | |
| Wayne Apted | - | - | - | - | - | - |
| James Wentworth ¹ | 900,000 | - | (600,000) | (300,000) | - | - |
| Andrew Reid | - | - | - | - | - | - |
| | 11,400,000 | - | (600,000) | (300,000) | 10,500,000 | 7,000,000 |

1. James Wentworth resigned as Chief Financial Officer/Company secretary on 15 September 2017.

At the date of this report, the following incentive shares are held by the key management personnel and other employees of the group:

| | Number | Exercise price per share | Grant Date | Expiry date |
|--------------|-----------|-----------------------------|------------|-------------|
| Gary Comb | 7,500,000 | \$0.2008 – \$0.3008 | 8 Nov 2013 | 7 Nov 2021 |
| Barry Cahill | 3,000,000 | \$0.2008 – \$0.3008 | 8 Nov 2013 | 7 Nov 2021 |

Shares issued during the year on exercise of incentive shares:

| | Number shares issued | Amount paid per share |
|-----------------|----------------------|-----------------------|
| James Wentworth | 300,000 | \$0.21 |
| James Wentworth | 300,000 | \$0.19 |
| | 600,000 | |

Service agreements

The remuneration and terms of engagement of Executive Directors and other key management personnel are formalised in employment and consulting agreements. Key provisions of each of the agreements are set out below. All contracts (other than those in respect of non-executive director services) may be terminated early by the Company giving between 3 and 12 months' notice, subject to termination payments as detailed below.

| Name | Term of agreement | Base fee/salary | Termination payment |
|---|--|---|---|
| Barry Cahill Managing Director | From 1 July 2017 until terminated | \$450,000 per annum inclusive of statutory superannuation | 12 months' notice or payment in lieu |
| Wayne Apted Chief Financial Officer | From 1 July 2017 until terminated | \$300,000 per annum inclusive of statutory superannuation | 6 months' notice or payment in lieu |
| James Wentworth ¹ Chief Financial Officer /Company Secretary | From 1 December 2010 until terminated. Resigned 15 September 2017 | \$360,000 per annum inclusive of statutory superannuation | 3 months' notice or payment in lieu |
| Andrew Reid Chief Operations Officer | From 1 June 2017 for 2 years | \$378,000 per annum inclusive of statutory superannuation | 3 months' notice or payment in lieu |

No key management personnel were involved in the type of transaction described in Corporations Regulation Reg 2M.3.03(1) item 22 to 24.

Signed in accordance with a resolution of the Board of Directors.



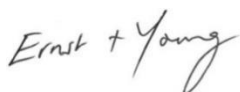
Gary Comb
Chairman
Perth
29 March 2018

Auditor's Independence Declaration to the Directors of Finders Resources Limited

As lead auditor for the audit of Finders Resources Limited for the year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional code of professional conduct in relation to the audit.

This declaration is in respect of Finders Resources Limited and the entities it controlled during the period.



Ernst & Young



T S Hammond
Partner
Perth
29 March 2018

Consolidated statement of comprehensive income

| For the year ended 31 December | Note | 2017 \$'000 | 2016 (Restated) \$'000 |
|--|-------|-----------------|------------------------------|
| Revenue | | 209,505 | 73,618 |
| Interest income | | 92 | 35 |
| Raw materials and consumables used | | (81,738) | (65,936) |
| Changes in finished goods and WIP inventory | | 14,006 | 25,048 |
| Personnel costs | | (17,352) | (20,014) |
| Administrative costs | 3 | (2,116) | (1,375) |
| Financing costs | 3 | (11,362) | (6,791) |
| Depreciation and amortisation | 10,11 | (39,188) | (13,767) |
| Exchange loss | | (1,483) | (1,291) |
| Royalty expense | | (1,575) | (1,653) |
| Other income / (expense) | 3 | (11,488) | (5,703) |
| Profit/(loss) before income tax | | 57,301 | (17,829) |
| Income tax (expense)/benefit | 4 | (970) | 4,694 |
| Profit/(loss) for the year | | 56,331 | (13,135) |
| Other comprehensive income | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i> | | | |
| Adjustments from translation of foreign controlled entities | | (8,198) | 3,855 |
| (Loss)/Gain on cash flow hedges | | (31,007) | (15,208) |
| Tax effect on cash flow hedges | | 7,752 | 3,803 |
| <i>Loss/(Gain) on cash flow hedges reclassified to profit or loss</i> | | | |
| Loss/(Gain) on realised cash flow hedges | | (8,020) | (12,340) |
| Tax effect on realised cash flow hedges | | 2,005 | 3,085 |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i> | | | |
| Re-measurement gain on defined benefit fund | | (235) | 153 |
| Other comprehensive (loss) / income net of tax | | (37,703) | (16,652) |
| Total comprehensive (loss) /income for the year | | 18,628 | (29,787) |
| Profit/(loss) for the year attributable to: | | | |
| Owners of Finders Resources Ltd | | 43,328 | (9,146) |
| Non-controlling interests | | 13,003 | (3,989) |
| | | 56,331 | (13,135) |
| Total comprehensive (loss)/ profit attributable to: | | | |
| Owners of Finders Resources Ltd | | 15,661 | (21,048) |
| Non-controlling interests | | 2,967 | (8,739) |
| | | 18,628 | (29,787) |
| Earnings per share | | Cents | Cents |
| Basic profit/(loss) per share | 26 | 7.3 | (1.9) |
| Diluted profit/(loss) per share | 26 | 7.3 | (1.9) |

The above Consolidated Statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

| As at 31 December | | 2017 | 2016 |
|---|------|----------------|----------------------|
| | Note | \$'000 | (Restated) \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 2,178 | 4,879 |
| Receivables | 6 | 2,482 | 6,885 |
| Financial assets | 7 | 11,593 | 63 |
| Inventories | 8 | 55,666 | 39,329 |
| Prepayments | | 585 | 485 |
| Total current assets | | 72,504 | 51,641 |
| Non-current assets | | | |
| Receivables | 6 | 10,049 | 14,296 |
| Financial assets | 7 | 1,307 | 1,344 |
| Plant and equipment | 10 | 119,599 | 145,336 |
| Development expenditure | 11 | 66,410 | 83,791 |
| Deferred tax asset | 4 | 19,713 | 11,627 |
| Total non-current assets | | 217,078 | 256,394 |
| TOTAL ASSETS | | 289,582 | 308,035 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | 37,774 | 41,703 |
| Borrowings | 14 | 49,023 | 42,669 |
| Provisions | 13 | 816 | 742 |
| Hedge derivative liability | 9 | 24,441 | 8,403 |
| Total current liabilities | | 112,054 | 93,517 |
| Non-current liabilities | | | |
| Borrowings | 14 | 26,093 | 78,888 |
| Provisions | 13 | 13,028 | 13,036 |
| Hedge derivative liability | 9 | 5,497 | 8,537 |
| Total non-current liabilities | | 44,618 | 100,461 |
| TOTAL LIABILITIES | | 156,672 | 193,978 |
| NET ASSETS | | 132,910 | 114,057 |
| EQUITY | | | |
| Issued capital | 15 | 168,302 | 168,182 |
| Reserves | 17 | 31,741 | 60,745 |
| Accumulated losses | | (101,508) | (144,836) |
| Equity attributable to owners of Finders Resources Limited | | 98,535 | 84,091 |
| Non-controlling interest | 22 | 34,375 | 29,966 |
| TOTAL EQUITY | | 132,910 | 114,057 |

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

| | Note | Issued capital | Accumulated losses | Equity reserve | Hedging derivative reserve | Foreign currency translation reserve | Share based payments reserve | Other reserve | Non- controlling interest | Total |
|--|------|-------------------|-----------------------|-------------------|----------------------------------|---|------------------------------------|------------------|---------------------------------|----------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance 1 January 2017 – restated | | 168,182 | (144,836) | 21,224 | 18,007 | 19,998 | 821 | 695 | 29,966 | 114,057 |
| Profit/(loss) for the year | | - | 43,328 | - | - | - | - | - | 13,003 | 56,331 |
| Other comprehensive income | | - | - | - | (21,236) | (6,256) | - | (175) | (10,036) | (37,703) |
| Total comprehensive income | | - | 43,328 | - | (21,236) | (6,256) | - | (175) | 2,967 | 18,628 |
| Shares issued during year | | 120 | - | - | - | - | - | - | - | 120 |
| Share based payments | | - | - | - | - | - | 105 | - | - | 105 |
| Equity contribution | | - | - | (1,442) | - | - | - | - | 1,442 | - |
| Balance as at 31 December 2017 | | 168,302 | (101,508) | 19,782 | (3,229) | 13,742 | 926 | 520 | 34,375 | 132,910 |

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes

| | Note | Share capital | Accumulated losses | Equity reserve | Hedging derivative reserve | Foreign currency translation reserve | Share based payments reserve | Other reserve | Non-controlling interest | Total |
|---|-------|---------------|--------------------|----------------|----------------------------|--------------------------------------|------------------------------|---------------|--------------------------|----------|
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance 1 January 2016 – as previously reported | | 156,884 | (135,699) | 6,045 | 32,250 | 17,767 | 695 | 585 | 9,070 | 87,597 |
| Adjustments | 2(ab) | | | 32,334 | | | | | (32,334) | |
| Balance 1 January 2016 – as restated | | 156,884 | (135,699) | 38,379 | 32,250 | 17,767 | 695 | 585 | (23,264) | 87,597 |
| Loss for the period (restated) | | - | (9,146) | - | - | - | - | - | (3,989) | (13,135) |
| Other comprehensive income (restated) | | - | - | - | (14,243) | 2,231 | - | 110 | (4,750) | (16,652) |
| Total comprehensive income (restated) | | - | (9,146) | - | (14,243) | 2,231 | - | 110 | (8,739) | (29,787) |
| Shares issued during year | | 12,000 | - | - | - | - | - | - | - | 12,000 |
| Share issue expenses | | (702) | - | - | - | - | - | - | - | (702) |
| Share based payments | | - | - | - | - | - | 135 | - | - | 135 |
| Share based payments – expired | | - | 9 | - | - | - | (9) | - | - | - |
| Equity contribution (adjusted) | | - | - | (17,155) | - | - | - | - | 61,969 | 44,814 |
| Balance as at 31 December 2016 | | 168,182 | (144,836) | 21,224 | 18,007 | 19,998 | 821 | 695 | 29,966 | 114,057 |

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

| For the year ended 31 December | Note | 2017 \$'000 | 2016 \$'000 |
|--|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 205,040 | 58,263 |
| Payments to suppliers | | (118,382) | (53,465) |
| Payments to employees | | (16,730) | (21,179) |
| Interest received | | 92 | 35 |
| Payments for interest and other costs of financing | | (8,661) | (8,008) |
| Net cash inflow/(outflow) from operating activities | 28 | 61,359 | (24,354) |
| Cash flows from investing activities | | | |
| Payment for plant and equipment | | (8,254) | (3,280) |
| Payments for development expenditure | | (3,454) | (72,395) |
| Payments for security deposits | | (11,816) | - |
| Net cash inflow/(outflow) from investing activities | | (23,524) | (75,675) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of shares | | 120 | 12,000 |
| Share issue costs paid | | - | (702) |
| Net proceeds from hedge | | - | 58,787 |
| Proceeds from borrowings | | - | 75,955 |
| Repayment of borrowings | | (40,334) | (75,253) |
| Net cash inflow/(outflow) from financing activities | | (40,224) | 70,787 |
| Net change in cash and cash equivalents | | (2,389) | (29,242) |
| Cash and cash equivalents at beginning of period | | 4,879 | 33,728 |
| Exchange rate effect | | (312) | 393 |
| Cash and cash equivalents at end of period | 5 | 2,178 | 4,879 |

The accompanying notes for part of these financial statements.

Notes to the Consolidated Financial Statements

1. BASIS OF PREPARATION

Finders Resources Limited is a public company, incorporated and domiciled in Australia whose shares are traded on the Australian Securities Exchange (ASX).

This financial report includes the consolidated financial statements and notes of Finders Resources Limited and controlled entities ("the Group").

The financial report was authorised for issue in accordance with a resolution of the Directors on 29 March 2018. The directors have the power to amend and reissue the financial statements.

a. Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group early adopted AASB 9 *Financial Instruments* (2014) on 1 January 2015.

The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

b. Historical cost convention

The financial statements have been prepared under the historical cost convention, except for derivatives and certain financial assets, which are carried at fair value.

c. Critical accounting estimates and judgements

Estimates and judgements incorporated into the financial report are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key areas of estimation are –

- Valuations of share based payments – the Group measures the cost of equity-settled transactions with employees by reference to their fair values. Details of share-based payments are disclosed in note 24.
- Rehabilitation and restoration provisions – significant judgement is involved in determining the provision as there are many factors that impact the amount, including cost estimates, timing of expenditure, changes in technology and discount rates.
- Impairment of non-financial assets - in determining the recoverable amount of assets for assessing potential impairment, the Group prepares discounted cashflow calculations which are based on a number of critical estimates and assumptions including mine life (including quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction); production levels and costs; copper prices; inflation and discount rates. For the year ended 31 December 2017, the directors have determined that there were no indicators of impairment to plant and equipment and development expenditure.

- Provision for defined benefit obligations – the obligation is determined using actuarial valuations, which involve making various assumptions that may differ from actual developments in the future. These assumptions are disclosed in note 13. Due to the complexities involved in the valuation and its long term nature, the provision is highly sensitive to changes in these assumptions.

The Directors have reviewed the carrying values of assets at balance date and concluded that there has been no impairment.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of consolidation

The consolidated financial statements consist of the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (ii) Exposure, or rights, to variable returns from its involvement with the investee
- (iii) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) The contractual arrangement(s) with the other vote holders of the investee
- (ii) Rights arising from other contractual arrangements
- (iii) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

b. Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

c. Cash and cash equivalents

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

d. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

e. Earnings per share

Basic earnings per share is determined by dividing net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings per share is determined by dividing net profit attributable to members, adjusted for –

- (i) costs of servicing equity (other than dividends);
 - (ii) the after-tax effect of dividends and interest associated with dilutive potential ordinary shares;
 - (iii) other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

f. Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are presented as payables.

Provision for Indonesian long-term benefit obligations

Under Indonesian labour laws, the Group is required to provide for a minimum amount of employee benefits including severance and termination pay to be paid by the Group at the closure of the mine or the termination of employee's services whichever is earlier. The Group recognises an obligation for these employee benefits until required. The defined benefit obligations are unfunded.

The costs of providing the benefits are determined using the projected unit credit method.

Re-measurements, consisting of actuarial gains and losses, excluding amounts included in interest on the net defined benefit liability, are recognised immediately in the statement of financial position with a corresponding debit or credit to reserves through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Service costs are recognised in the profit or loss on the earlier of the date of changes in legislative requirements or the date that the Group recognises related restructuring costs.

Interest is calculated by applying the discount rate to the recognised liability. The Group recognises the following changes in the net defined benefit obligation under 'personnel costs' in the profit and loss:

- Service costs consisting of current service costs, past service costs and non-routine settlements
- Interest costs

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

g. Exploration and development expenditure

Exploration and evaluation expenditure

Exploration and evaluation expenditure is carried forward in the accounts in respect to areas of interest for which the rights of tenure are current and where –

- (i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- (ii) exploration and/or evaluation activities in the area have not yet 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 is continuing.

When technical feasibility and commercial viability of an area of interest is demonstrable, the accumulated costs are transferred to mine properties and amortised over the life of the mine in proportion to the depletion of the economically recoverable mineral reserves.

Costs carried forward in respect of an area of interest which no longer satisfy the above policy are written off in the period in which that decision is made.

Development expenditure

Development expenditure carried forward represents the accumulation of exploration, evaluation and development expenditure.

Revenue and costs associated with production during the start-up period are capitalised until the asset is capable of operating in the manner intended by management.

Amortisation of development expenditure is calculated on a unit-of-production basis so as to write off the cost over the life of the project in proportion to the depletion of the anticipated recoverable mineral reserves.

h. Financial instruments

Recognition and measurement

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

The Group classifies its financial assets as subsequently measured at either amortised cost or fair value. An election can be made to designate a financial asset as measured at fair value through profit or loss on initial recognition if this significantly reduces an accounting mismatch. The designation at fair value through profit or loss is irrevocable.

The classification and measurement of financial liabilities are at either fair value through profit or loss or amortised cost.

Amortised Cost

The determination of amortised cost is based on the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the face value of the financial asset or financial liability.

Determination of fair value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability; or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Trade receivables

Trade receivables are generally paid within 7 days of fulfilment of sales conditions. Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and are therefore classified and measured at amortised cost. Trade receivables subject to quotation pricing do not meet the solely payments of principal and interest test and are treated at fair value through profit and loss.

Impairment of financial assets

The Group applies the simplified approach and records lifetime expected losses on all trade receivables. The measurement of expected credit losses is based on the probability of default, the amount of loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

i. Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the subsidiaries is determined based on the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the initial transaction.

Exchange differences arising on the translation of monetary items are recognised in the consolidated profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated profit and loss.

Foreign operations

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

- assets and liabilities are translated at exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the consolidated balance sheet. These differences are recognised in the consolidated profit and loss in the period in which the operation is disposed.

j. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST or Value Added Tax (VAT), except where the amount of GST or VAT incurred is not recoverable from the relevant tax authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated balance sheet are shown inclusive of GST or VAT.

Cash flows are presented in the consolidated cash flow statement on a gross basis, except for the GST or VAT component of investing and financing activities, which are presented as operating cash flows.

k. Derivatives and hedging

The Group has entered into derivative financial instruments to manage its exposure to fluctuations in commodity prices. Hedge accounting is applied where the derivative financial instrument provides an effective hedge of the hedged item.

Where hedge accounting applies, at the inception of the instrument the Group designates hedges as either fair value or cash flow hedges in accordance with the nature of the underlying instrument and the Group's hedging policy. Hedging documentation is established that outlines the nature of the transaction, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

To date all hedges entered into by the Group have been designated as cash flow hedges. Cash flow hedges are used to mitigate the risk of variability of future cash flows attributable to movements in the commodity prices in relation to highly probable purchase or settlement commitments in foreign currencies. For all hedge relationships the hedge effectiveness assessment has determined the cash flow hedges to be effective.

Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument at each reporting date is recognised directly in the hedging derivative reserve via other comprehensive income until such time as the hedged item is recognised in profit or loss, and then the gains or losses are transferred to the profit and loss, in the same line as the recognised hedged item.

If the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated

in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit and loss. If a forecast hedged transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that were accumulated in the hedging derivative reserve in equity are transferred immediately to the profit and loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again. No rebalancing of any hedge relationships has been performed to date.

If the hedging instrument expires or is sold or terminated, any cumulative gain or loss previously recognised in other comprehensive income remains in equity until the forecast transaction occurs.

Offsetting financial instruments

The Group presents its derivative assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements, such as an International Swaps and Derivatives Associations (ISDA) master netting agreement. The amounts set out in Note 9 represent the derivative financial assets and liabilities of the Group that are subject to the above arrangements.

l. Impairment of plant and equipment and development expenditure

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated profit and loss.

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

m. Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is provided for, using the full liability balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

n. Inventories

Inventories of copper cathode and work in progress are carried at the lower of cost and net realisable value. Cost includes raw materials, labour and other direct expenditure together with a portion of fixed and variable overhead attributable to the inventory on hand, calculated on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling.

Inventories of consumables and spares are valued at cost less, where appropriate, a provision for obsolescence.

o. Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss on a straight-line basis over the period of the lease.

p. Operating segments

Operating segment information is based on the Group's reporting structure and internal reports that are regularly reviewed by the Directors for the purposes of decision making. The Group operates a copper mine and processing facility and conducts mineral exploration on the Indonesian island of Wetar. The internal reporting structure is focussed on copper mining which forms the basis for the operating segments.

q. Plant and equipment

Each class of plant and equipment is carried at cost less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Plant and equipment is depreciated over their useful lives commencing from the time the asset is held ready for use. Depreciation on copper processing plant and equipment is calculated on a unit-of-production basis so as to write off the cost of each asset in proportion to the depletion of the economically recoverable mineral reserves. Depreciation of other plant and equipment is calculated on a straight-line basis so as to write off the cost of each asset over its estimated useful life. The depreciation rates used for each class of depreciable asset are:

| | |
|----------------------------------|--------------------|
| - Computer equipment | 25.0 % |
| - Office equipment | 25.0% |
| - Motor vehicles | 12.5% |
| - Heavy equipment | 12.5% |
| - Processing plant and equipment | unit-of-production |

r. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current assessment of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

s. Rehabilitation and restoration costs

Expenditure relating to ongoing rehabilitation and restoration programmes are provided for or charged to costs of production as incurred. Other rehabilitation and restoration costs are accrued over the life of the mine. The estimated costs are reassessed on a regular basis and changes in estimates are dealt with on a prospective basis. The estimates are based on current costs, current legal requirements and current technology.

t. Revenue

Sales of copper cathode are recognised when the title and risk have passed to the customer and the selling price can be determined with reasonable accuracy. Revenue is recognised at the fair value of consideration receivable and is stated net of the amount of value added tax (VAT).

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

u. Borrowing costs

Transaction costs related to the establishment of a loan facility are capitalised and amortised over the life of the facility. Other borrowing costs are recognised as an expense in the financial period incurred.

Where borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and amortised over the useful life of the asset.

v. Share-based payments

Share-based compensation benefits are provided to employees under the Group's incentive share and option plans. The fair value of securities granted is recognised as an employee benefit expense with a

corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

Share-based compensation under which employees purchase shares funded by limited recourse loans from the Company is measured as the value of the options inherent within the shares issued and is expensed over the vesting period of the shares with a corresponding credit to the share-based payments reserve.

w. Going concern

The Group generated a profit after tax of \$56.331 million for the year ended 31 December 2017 (31 December 2016: after tax loss of \$13.135 million) and has net current liabilities of \$39.550 million (31 December 2016: net current liabilities of \$41.876 million), including \$50.551 million of debt which is due for repayment in the next 12 months.

The ability of the Group to continue as a going concern is dependent on monthly production rates from the Wetar copper project increasing to levels achieved in the year prior to September 2017, no material decrease from current copper prices to occur and for the continued support of the financiers of its debt facilities. While the directors expect that the project will achieve increased monthly production rates consistent with the year prior to September 2017, cash generation is likely to be insufficient to satisfy the conditions of its debt facilities in the period up to 30 June 2018, in which case the Group will need to reschedule or refinance its debt obligations. The directors expect this to be successfully achieved and therefore believe it is appropriate to prepare the financial report on a going concern basis.

However, should the increase in production not be achieved or the copper price falls materially over the next few months then there is uncertainty as to whether the Group will continue as a going concern without rescheduling or refinancing its debt obligations.

No adjustments have been made to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

x. Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

y. New accounting standards and interpretations

(i) Accounting Standards and Interpretations Issued but not yet effective

The following accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 31 December 2017:

| Standard | Summary | Application for the Group |
|---|--|---|
| AASB 15 <i>Revenue from Contracts with Customers</i> | AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i> , AASB 118 <i>Revenue</i> and related Interpretations (Interpretation 13 <i>Customer Loyalty</i>) | The Group expects to apply the modified retrospective approach on adopting AASB 15, where transitional adjustments are recognised in retained earnings at the date of initial application without adjustment of the comparative |

| Standard | Summary | Application for the Group |
|--------------------------------|---|--|
| Applicable from 1 January 2018 | <p><i>Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry</i>). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation | <p>period. The new standard will only be applied to contracts that remain in force at transition date.</p> <p>The Group has completed a preliminary assessment of the impacts of AASB 15 and has identified two key areas of differences in the accounting policy from under the current standard AASB 18.</p> <p><i>Impact of shipping terms</i> The Group makes Copper sales under both Free on board and Cost, Insurance and Freight (CIF) agreements. Under CIF agreements, the Group is responsible for shipping services after the date at which control of the goods passes to the customer at the port of loading. Under AASB 15, the provision of shipping services in these types of arrangements are a distinct service (and therefore a separate performance obligation) to which a portion of the transaction price should be allocated and recognised over time as the shipping services are provided. The impact of treating CIF freight arrangements as a separate performance obligation is not expected to materially impact the Group's revenue upon application of AASB 15.</p> <p><i>Quotational Pricing sales</i> Some of the Group's sales contain quotational pricing periods which are accounted for as embedded derivatives under AASB 9 <i>Financial Instruments</i>. Changes in pricing once control has passed to the customer will not be classified as revenue under AASB 15. The transitional impact of AASB 15 on sales subject to quotational pricing embedded derivatives is not expected to be material however will result in a change to the presentation of revenue under the new standard.</p> |

| Standard | Summary | Application for the Group |
|--|---|---|
| | <p>AASB 2015-8 amended the effective date of AASB 15 so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.</p> | |
| <p>AASB 16 <i>Leases</i></p> <p>Applicable from 1 January 2019</p> | <p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. <p>AASB 16 supersedes: (a) AASB 117 <i>Leases</i> (b) Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i> (c) SIC-15 <i>Operating Leases—Incentives</i></p> | <p>The Group is currently reviewing its finance and operating leases and other service agreements to determine the impact of AASB 16 on its financial performance and financial position upon its adoption.</p> |

| Standard | Summary | Application for the Group |
|--|---|--|
| | <p>(d) SIC-27 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i></p> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p> | |
| <p>AASB 2016-5 <i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i></p> <p>Applicable from 1 January 2018</p> | <p>This standard amends AASB 2 <i>Share-based Payments</i>, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled | The Group does not expect a significant impact from the amended standards. |
| <p>AASB Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i></p> <p>Applicable from 1 January 2018</p> | <p>AASB Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.</p> | The Group does not expect a significant impact from the amended standards. |

(ii) New accounting standards and interpretations

In the year ended 31 December 2017, the Directors have reviewed all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Company 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 Company and, therefore no material change to the Company's accounting policies.

z) Comparative numbers

Where applicable, comparatives have been adjusted to disclose them on the same basis as the current year.

aa) Correction relating to the classification of non-current assets and accumulated depreciation

In the 31 December 2016 financial report, costs capitalised in development expenditure associated with the 25,000 tonne per year copper processing plant were transferred to plant and equipment upon the commencement of commercial production at the plant during the year. Subsequent to the release of the 31 December 2016 financial report, it was identified that certain costs should not have been transferred from development expenditure to plant and equipment, and that the depreciation relating to costs that were transferred to plant and equipment was recorded against capitalised development expenditure. As a result the following adjustments have been made to the amounts disclosed as the 31 December 2016 comparatives in this financial report:

- A decrease to the cost of plant and equipment of \$38.599 million from the amount previously disclosed in the 31 December 2016 financial report and an increase to the cost for development expenditure for the same amount; and
- An increase in accumulated depreciation for plant and equipment of \$7.319 million from the amount previously disclosed in the 31 December 2016 financial report and a decrease in accumulated depreciation for development expenditure for the same amount.

These adjustments had no impact on net assets, equity, total current assets, total non-current assets or total assets as at 31 December 2016, or on net profit, comprehensive income, cash flows or earnings per share for the year then ended. They also had no impact on any period prior to the year ended 31 December 2016.

ab) Correction of non-controlling interests

During the current year, it was determined that amounts previously disclosed as equity attributable to non-controlling interests were incorrectly stated as a result of the Group incorrectly accounting for changes in the ownership interests in partially owned subsidiaries which did not impact control.

As a result, the following adjustments have been made to the amounts disclosed in the comparative financial information in the consolidated statement of financial position and consolidated statement of changes in equity:

- 1 January 2016
A decrease in equity attributable to non-controlling interests of \$32.334 million and a corresponding increase in equity reserves relating to prior period changes in equity interests to correctly record the difference between the non-controlling interests share of net assets or liabilities and the consideration received for the change in interest.
- Period ended 31 Dec 16

A decrease in the equity reserve of \$12.434 million and a corresponding increase to non-controlling interest in connection with the NCI's interest in the increase in net assets arising from Finders Resources contributions during the period. A decrease in equity reserve of \$4.817 million arising from Finders Resources acquiring the NCI's share of net liabilities for no consideration:

| | Equity reserve A\$'000 | Non-controlling interest A\$'000 |
|--|---------------------------|-------------------------------------|
| As previously reported | - | 44,814 |
| Adjustment for non-reciprocal contribution | (12,713) | 12,713 |
| Acquisition of NCI | (4,442) | 4,442 |
| As restated | 17,155 | 61,969 |

The statement of comprehensive income for the period ending 31 December 2016 was amended by \$1.595 million.

These adjustments had no impact on assets, liabilities or total equity as at 31 December 2016 or 31 December 2015 nor on net profit, comprehensive income, cash flows or earnings per share for the year ended 31 December 2017.

3. EXPENSES

| | 2017 | 2016 |
|---|-----------------|----------------|
| | \$'000 | \$'000 |
| Cost of sales | | |
| Raw materials and consumables used | 81,738 | 65,935 |
| Changes in finished goods and WIP inventory | (14,006) | (25,048) |
| Payroll | 10,786 | 13,534 |
| Post-employment benefits | 4,644 | 5,133 |
| Royalties | 1,575 | 1,653 |
| <i>Depreciation and amortisation</i> | | |
| Depreciation property, plant and equipment | 23,538 | 1,207 |
| Amortisation development expenditure | 15,652 | 12,543 |
| | 123,927 | 74,957 |
| Administrative costs | | |
| Consultants and legal | 531 | 609 |
| Take-over costs | 764 | - |
| Other administrative expenses | 802 | 749 |
| <i>Depreciation and amortisation</i> | | |
| Depreciation property, plant and equipment | 19 | 17 |
| | 2,116 | 1,375 |
| Finance costs | | |
| Interest charges | 7,496 | 3,494 |
| Provisions – unwinding of discount | 544 | 358 |
| Other borrowing costs | 3,322 | 2,939 |
| | 11,362 | 6,791 |
| Other income/(expenses) | | |
| Other income | 576 | |
| Other expenses | (1,269) | (5,703) |
| Impairment allowance expense | (10,795) | |
| | (11,488) | (5,703) |

4. INCOME TAX

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Income Statement | | |
| <i>Current income tax expense</i> | | |
| Current income tax (benefit)/expense | - | - |
| <i>Deferred income tax</i> | | |
| Relating to origination and reversal of previously recognised temporary differences | 17,593 | (3,163) |
| Previously unrecognised deferred tax assets now brought to account | (16,623) | (1,531) |
| Income tax reported in the income statement | 970 | (4,694) |
| <i>Reconciliation of income tax expense to prima facie tax payable</i> | | |
| Profit/(loss) before income tax | 57,301 | (17,829) |
| Income tax expense/(benefit) calculated at tax rate of 30% (2016: 30%) | 17,190 | (5,349) |
| Tax effect of amounts which are not deductible in calculating taxable income: | | |
| Share based payments | 32 | 41 |
| Other non-deductible expenditure | 1,287 | 1,221 |
| Tax incentive depreciation and amortisation allowance | (1,225) | - |
| Non-refundable tax | 3,314 | - |
| Difference in overseas tax rate | (3,005) | 924 |
| Previously unrecognised deferred tax assets now brought to account | (16,623) | (1,531) |
| Income tax expense/(benefit) | 970 | (4,694) |
| Other comprehensive income | | |
| Net (gain)/loss on revaluation of cash flow hedges | (7,969) | 6,933 |
| Net (gain)/loss on cash flow hedges realised during the year | (1,943) | - |
| Equity classified financial liabilities | 142 | - |
| Deferred tax charged to other comprehensive income | (9,770) | 6,933 |
| Deferred tax | | |
| Deferred tax relates to the following: | | |
| Tax losses | 5,667 | 3,009 |
| Depreciation | 2,291 | 931 |
| Mine closure and rehabilitation provision | 990 | 446 |
| Long term employee provisions | 942 | 840 |
| Impairment provision | 1,219 | 1,314 |
| Provision VAT receivable | - | 326 |
| Deferred income | 6,300 | 12,558 |

| | | |
|--|--------|---------|
| Unrealised gains/(losses) cash flow hedges | 1,185 | (8,323) |
| Other | 1,120 | 526 |
| As at 31 December | 19,714 | 11,627 |

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off tax assets and liabilities related to income taxes levied by the same tax authority.

Tax losses

Unused tax losses for which no deferred tax asset has been recognised

| | | |
|---|--------|--------|
| | 25,490 | 66,810 |
| Potential tax benefit at 30% (Australia), 25% (Indonesia) | 8,034 | 17,767 |

Franking credits as at 31 December 2017 are \$nil (2016: \$nil).

5. CASH AND CASH EQUIVALENTS

| | 2017 \$'000 | 2016 \$'000 |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | 2,177 | 4,878 |
| Restricted cash | 1 | 1 |
| | 2,178 | 4,879 |

a) Risk exposure

The groups exposure to interest rate risk is discussed in Note 31. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalent mentioned above.

6. RECEIVABLES

| | 2017 \$'000 | 2016 \$'000 |
|--------------------------|----------------|----------------|
| <i>Current</i> | | |
| Trade receivables | 877 | - |
| VAT receivable | - | 6,116 |
| Impairment allowance (a) | - | (612) |
| Other receivable | 1,605 | 1,381 |
| | 2,482 | 6,885 |
| <i>Non-current</i> | | |
| VAT receivable | 21,464 | 12,899 |
| Impairment allowance (a) | (12,882) | - |
| Other receivable | 1,467 | 1,397 |
| | 10,049 | 14,296 |

The Group's exposure to credit risk is outlined in note 30 Financial Risk Management.

a) Impairment allowance

In the current period an impairment allowance of \$12.882 million (2016: \$612,000) has been recognised in relation to uncertainty associated with the recoverability of Indonesian VAT.

7. FINANCIAL ASSETS

| | 2017 | 2016 |
|---|---------------|--------------|
| | \$'000 | \$'000 |
| <i>Current</i> | | |
| Loan repayment reserve account ^b | 11,532 | - |
| Security deposit | 61 | 63 |
| | 11,593 | 63 |
| <i>Non-current</i> | | |
| Security deposit ^c | 1,307 | 1,344 |
| | 1,307 | 1,344 |

b) Debt service reserve account

\$11.532 million (US\$9.001 million) cash was quarantined during the year pursuant to the terms of the Senior Secured Project Finance Facility Agreement.

c) Security deposits include

- i) \$198,000 (2016: \$232,000) environmental bond placed by a subsidiary with the Indonesian government to secure the subsidiary's rehabilitation obligations at the Wetar Copper Project.
 - ii) \$997,000 (2016: \$1.112 million) held by a controlled entity's banker to secure a bank guarantee issued by the bank on behalf of the controlled entity (Note 20).
- Movements in i) and ii) are due to currency translation.

The remaining security deposits comprise cash held by suppliers to a controlled entity to secure contracts and payments for goods and services.

8. INVENTORIES

| | 2017 | 2016 |
|-------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| <i>Inventories, at cost</i> | | |
| Raw materials and consumables | 14,515 | 10,050 |
| Work in progress | 38,141 | 20,224 |
| Finished goods | 3,010 | 9,055 |
| | 55,666 | 39,329 |

9. HEDGING DERIVATIVE LIABILITIES

In accordance with the Group's commodity price risk strategy, as outlined in note 30, the group has entered into forward contracts in respect of forecast future copper sales. The forward contracts are designated and qualify as cashflow hedges to hedge the Group's exposure to variability of cashflows arising from its future copper sales.

The details of the forward contracts are outlined below:

- a) 14,231.5 tonnes of forecast future copper sales produced from the Wetar Copper Project. These contracts are at an average price of US\$5,636 per tonne and cover the period from January 2018 to March 2019. At 31 December 2017, the contracts have a fair value of \$29.938 million reflected as a derivative liability which was recognised in the hedge reserve during the period.

Forward contracts for 21,651 tonnes of copper with maturities from September 2016 to March 2019 were closed out in September 2016 resulting in a gain of \$56.6 million being realised. In accordance with accounting policy, this gain is recognised in the hedge reserve until the date of the original forecast transactions.

The fair value of the forward contracts is determined by reference to current forward commodity prices, which is categorised as level 2 of the fair value hierarchy. The principal inputs to the valuation are commodity prices, volatilities and discount rates. Commodity prices are determined by reference to published prices.

The maturity of the forward contracts is shown below-

Copper– Maturity analysis

| | 0 – 6 months | 6 – 12 months | 12 – 24 months | 24 + months | Total |
|----------------------------|-----------------|-----------------|----------------|-------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Copper swaps</i> | | | | | |
| Receive – forward | 62,314 | 41,127 | 10,691 | - | 114,132 |
| Pay – spot | 76,188 | 51,695 | 16,187 | - | 144,070 |
| Net receive / (pay) | (13,873) | (10,568) | (5,497) | - | (29,938) |

10. PLANT AND EQUIPMENT

| | 2017 | | | | | Total |
|---|--------------------|------------------|----------------|-----------------|--------------------------------|----------------|
| | Computer equipment | Office equipment | Motor vehicles | Heavy equipment | Processing plant and equipment | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Plant and equipment at cost | 1,363 | 546 | 457 | 436 | 156,771 | 159,573 |
| <i>Less:</i> | | | | | | |
| Accumulated depreciation and impairment | (523) | (507) | (236) | (239) | (38,468) | (39,973) |
| Net carrying amount | 840 | 39 | 221 | 197 | 118,303 | 119,600 |
| <i>Movements:</i> | | | | | | |
| Opening net book value- Restated | 559 | 49 | 288 | 253 | 144,187 | 145,336 |
| Additions | 591 | 15 | - | - | 7,621 | 8,227 |
| Depreciation charge | (274) | (22) | (45) | (38) | (23,177) | (23,556) |
| Exchange rate effect | (36) | (3) | (22) | (18) | (10,328) | (10,407) |
| Closing net book value | 840 | 39 | 221 | 197 | 118,303 | 119,600 |

| | 2016 | | | | | Total (Restated) |
|---|--------------------|------------------|----------------|-----------------|--------------------------------|------------------|
| | Computer equipment | Office equipment | Motor vehicles | Heavy equipment | Processing plant and equipment | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Plant and equipment at cost | 828 | 573 | 493 | 470 | 160,851 | 163,216 |
| <i>Less:</i> | | | | | | |
| Accumulated depreciation | (269) | (524) | (206) | (217) | (16,663) | (17,880) |
| Net carrying amount | 559 | 49 | 287 | 253 | 144,188 | 145,336 |
| <i>Movements:</i> | | | | | | |
| Opening net book value | 211 | 73 | 333 | 141 | 21,583 | 22,341 |
| Additions | - | - | - | - | - | - |
| Asset reclassification from development expenditure | 471 | (3) | - | 148 | 122,408 | 123,024 |
| Depreciation charge | (129) | (21) | (48) | (38) | (988) | (1,224) |
| Exchange rate effect | 6 | - | 3 | 2 | 1,184 | 1,195 |
| Closing net book value | 559 | 49 | 288 | 253 | 144,187 | 145,336 |

Computer equipment, office equipment, motor vehicles and heavy equipment are depreciated over the effective useful life of each asset as estimated by management on a straight-line basis. Processing plant and equipment is depreciated on a unit of production (UOP) basis over the economically recoverable reserves of the relevant area. The unit of account is tonnes of copper cathode stripped and recoverable tonnes of copper of the relevant area. Economically recoverable reserves include proven and probable reserves.

11. DEVELOPMENT EXPENDITURE

| | 2017 \$'000 | 2016 (Restated) \$'000 |
|---|----------------|------------------------------|
| Development expenditure | 89,651 | 92,365 |
| <i>Less:</i> | | |
| Accumulated amortisation | (23,242) | (8,574) |
| | 66,409 | 83,791 |
| <i>Movements:</i> | | |
| Opening net book value (Restated) | 83,791 | 144,259 |
| Additions | 3,556 | 73,701 |
| Asset reclassification to plant and equipment | - | (123,024) |
| Amortisation charge | (15,755) | (12,543) |
| Exchange rate effect | (5,183) | 1,398 |
| Closing net book value | 66,409 | 83,791 |

Development expenditure is amortised on a unit of production (UOP) basis over the economically recoverable reserves of the relevant area. The unit of account is tonnes of copper cathode stripped and recoverable tonnes of copper of the relevant area. Economically recoverable reserves include proven and probable reserves.

12. TRADE AND OTHER PAYABLES

| | 2017 \$'000 | 2016 \$'000 |
|------------------------------|----------------|----------------|
| <i>Current</i> | | |
| Trade creditors and accruals | 32,083 | 41,628 |
| Deferred income | 5,543 | - |
| Accrued interest | 146 | 75 |
| | 37,774 | 41,703 |

Foreign currency risk

Trade creditors and accruals are denominated in the following currencies

| | | |
|----------------------|---------------|---------------|
| Australian Dollar | 1,094 | 11,581 |
| United States Dollar | 20,874 | 14,576 |
| Indonesian Rupiah | 15,777 | 15,544 |
| Singaporean Dollar | 28 | 2 |
| | 37,774 | 41,703 |

13. PROVISIONS

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| <i>Current</i> | | |
| Provision for annual leave | 304 | 113 |
| Provision for long service leave | 78 | 56 |
| Accrued employee bonus | 208 | 256 |
| Employee benefits other ^b | 227 | 317 |
| | 817 | 742 |
| <i>Non-current</i> | | |
| Provision for long service leave | 374 | 264 |
| Employee benefits ^b | 3,036 | 3,464 |
| Rehabilitation and restoration ^a | 9,619 | 9,308 |
| | 13,029 | 13,036 |

- a) The provision for rehabilitation and restoration has been recognised in connection with the Group's closure obligations when the Wetar Copper Project ceases operations in the future. While rehabilitation is performed progressively where possible, final rehabilitation of the disturbed mining area is not expected until the cessation of production. The provision is therefore expected to be predominately settled at the end of the mine life in 2023.

The movement in the provision during the current year was due to increases in the area of disturbance, unwinding of the provision, changes to the discount rate utilised and foreign exchange movements.

The rehabilitation provision is discounted based on rates that reflect current market assessments of the time value of money and the risks specific to that liability. The discount rate utilised for Indonesia was 3.28 % (2016: 3.29%).

| | 2017 | 2016 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| <i>Provision for rehabilitation and restoration</i> | | |
| Opening balance | 9,308 | 7,669 |
| Provision for the year | 73 | 1,208 |
| Unwinding of discount | 544 | 358 |
| Exchange rate effect | (306) | 73 |
| Closing balance | 9,619 | 9,308 |

- b) The provision for employee benefits consists of annual leave, long service leave and Indonesia labour law requirements. The balance includes \$3.263 million (2016: \$3.781 million) in relation to the provision for the Indonesian defined benefit obligations.

| | 2017 | 2016 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Movements | | |
| <i>Provision for Indonesian long-term benefits obligation</i> | | |
| Opening balance | 3,781 | 3,406 |
| <i>Charges through the profit and loss</i> | | |
| Service costs | 1,056 | 417 |
| Net interest expense | 241 | 311 |
| | 1,296 | 728 |
| <i>Re-measurement through Other comprehensive income</i> | | |
| Actuarial adjustments arising from changes in assumptions and experience adjustments | (140) | (153) |
| | (140) | (153) |
| Benefits paid during the year | (1,674) | (200) |
| Closing balance | 3,263 | 3,781 |

The principle assumptions used in determining the provision under the projected unit credit method are shown below:

| | |
|-------------------------|------------|
| Discount rate per annum | 6.0% |
| Future salary increase | 7.0% |
| Retirement | 55 years |
| Life of mine | 5 years |
| Mortality rate | 100% TMI 3 |
| Disability | 10% TMI 3 |

14. BORROWINGS

| | 2017 \$'000 | 2016 \$'000 |
|-------------------------------|----------------|----------------|
| <i>Current</i> | | |
| Loan (secured) ^a | 49,023 | 42,669 |
| | 49,023 | 42,669 |
| <i>Non-current</i> | | |
| Loan (secured) ^a | 26,093 | 78,888 |
| Loan (unsecured) ^b | - | - |
| | 26,093 | 78,888 |

a) Loan (secured)

The Group has a Senior Secured Project Finance Facility Agreement with a syndicate of banks. Under the agreement, the banking syndicate agreed to provide loan facilities totalling US\$162.0 million. Following the completion of construction, the undrawn facilities were cancelled in September 2016 (also refer to note 32).

| Facility | Maturity Date | Interest rate (LIBOR + %) | Face value of loan | Face value of loan |
|------------------------------|---------------|------------------------------|-----------------------|-----------------------|
| | | | 31 Dec 2017 \$'000 | 31 Dec 2016 \$'000 |
| Term loan facility | 31 Mar 2019 | 5.50% | 69,827 | 107,772 |
| Cost overrun facility | 30 Sep 2018 | 6.25% | 7,629 | 8,227 |
| VAT working capital facility | N/A | 5.50% | - | 10,199 |
| | | | 77,456 | 126,198 |

The facilities have first ranking security over the Wetar Copper Project.

Principal repayment Schedule

| | 0 - 6 months \$'000 | 6 - 12 months \$'000 | 12 - 24 months \$'000 | 24+ months \$'000 | Total \$'000 |
|------------------------------|---------------------------|----------------------------|-----------------------------|-------------------------|-----------------|
| Term loan facility | 21,781 | 21,141 | 26,905 | - | 69,827 |
| Cost overrun facility | - | 7,629 | - | - | 7,629 |
| VAT working capital facility | - | - | - | - | - |
| | 21,781 | 28,770 | 26,905 | - | 77,456 |

b) Loan (unsecured)

The Group secured US\$45 million in funding from Daewoo International Corporation, for the expansion of the Wetar Copper Project, of which US\$31.4 million was provided as an unsecured loan. At the inception of the loan, interest at the rate of 10% per annum was payable on the loan from commencement of commercial production at the Wetar Copper Project.

In April 2016, an amendment to the loan agreement was executed converting the loan to non-interest bearing. Following the amendment, the loan is now non-interest bearing, has no specified repayment date and the timing of the repayment is at the discretion of the borrower. The loan has therefore been reclassified as equity (non-controlling interest). No shares have been issued in consideration of this amount and it carries no right to extra votes or a right to dividends.

15. ISSUED CAPITAL

| | 2017 | 2016 | 2017 | 2016 |
|---|----------------|----------------|----------------|----------------|
| | '000 | '000 | \$'000 | \$'000 |
| Issued and paid up shares ^a | 761,867 | 761,267 | 163,117 | 162,997 |
| Employee incentive reserved shares ^b | 10,500 | 11,400 | - | - |
| Converting notes ^c | - | - | 5,185 | 5,185 |
| | 772,367 | 772,667 | 168,302 | 168,182 |

a) Issued capital

| | | Number of shares '000 | Issue price \$ | Issued capital \$'000 |
|-------------|--|--------------------------------------|---------------------------|----------------------------------|
| 2017 | | | | |
| 01 Jan 2017 | At beginning of reporting period | 772,667 | | 162,997 |
| 28 Apr 2017 | Cancellation of reserved shares | (300) | - | - |
| 19 Oct 2017 | Employee reserved shares moved to issued | (600) | | |
| 19 Oct 2017 | Issue of paid up shares on exercise of right under employee share plan | 600 | 0.20 | 120 |
| 31 Dec 2017 | At end of reporting period | 772,367 | | 163,117 |
| 2016 | | | | |
| 01 Jan 2016 | At beginning of reporting period | 673,667 | | 151,699 |
| 18 Nov 2016 | Placement of shares | 100,000 | 0.12 | 11,298 |
| 12 Dec 2016 | Cancellation of reserved shares | (1,000) | - | - |
| 31 Dec 2016 | At end of reporting period | 772,667 | | 162,997 |

b) Employee incentive shares

The Company has issued incentive shares to employees and executive directors under the Finders Employee Share Plan as well as incentive shares to the Non-Executive Chairman on similar terms to the plan. This share-based compensation under which the employees and directors purchase shares funded by limited recourse loans from the Company is accounted for as a share based payment and expensed over the expected life of the options inherent in the arrangement with a corresponding credit to the share-based payments reserve.

c) Converting notes

The Company raised US\$5,500,000 from Standard Bank Plc in 2012 pursuant to mandatory Converting Notes, which will convert into 12,248,538 shares in the Company on or before 16 March 2018 at a conversion price of A\$0.427 per share. The Notes will convert into shares and have been treated as equity for accounting purposes.

d) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At a general meeting on a show of hands, each shareholder present has one vote and on a poll each shareholder present has:

- i. one vote for each fully paid share held; and
- ii. for each share which is not fully paid a fraction of a vote equivalent to the proportion which the amount paid up, but not credited as paid up, on that share bears to the total of the amounts paid and payable (excluding amounts credited) on that share.

e) Capital management

The Group's funding requirements have largely been sourced from equity funds and a project finance facility provided by its banks. During the year, the Group completed drawdowns under the project finance facility and commenced repayment. Its objectives in capital management are to ensure that the Group can meet its debts as and when they become due and payable and to maintain an optimal capital structure to reduce the cost of capital.

Under the project finance facility, the Group is subject to financial covenants typical of facilities of this nature, such as loan life cover ratios, project life cover ratios and reserve tail ratios. The Group was in compliance with all financial covenants under the project finance facility.

16. OPTIONS

| | 2017 | 2016 |
|--|----------|---------------|
| Number of options on issue | | |
| Balance at beginning of financial year | 54,156 | 54,156 |
| Less: Options expired | (54,156) | - |
| Balance at the end of the financial year | - | 54,156 |

The Company granted the options set out below to lenders in consideration for the interest-bearing loan facility. No new issues were issued during the current year.

| Grant date | Expiry date | Exercise price | Number | | Vested and exercisable | |
|---------------------------------|-----------------|----------------|--------------|---------------|------------------------|---------------|
| | | | 2017 '000 | 2016 '000 | 2017 '000 | 2016 '000 |
| 6 June 2012 | 5 June 2017 | \$0.3500 | - | 22,857 | - | 22,857 |
| 22 October 2012 | 22 October 2017 | \$0.2556 | - | 31,299 | - | 31,299 |
| | | | - | 54,156 | - | 54,156 |
| Weighted average exercise price | | | | \$0.3000 | | \$0.3000 |

17. RESERVES

| | 2017 \$'000 | 2016 (Restated) \$'000 |
|--------------------------------------|----------------|------------------------------|
| Equity reserve | 19,782 | 21,224 |
| Hedge derivative reserve | (3,229) | 18,007 |
| Foreign currency translation reserve | 13,742 | 19,998 |
| Share base payment reserve | 926 | 821 |
| Other reserve | 520 | 695 |
| | 31,741 | 60,745 |

Equity reserve

The equity reserve arises from the acquisition of shares in a controlled entity from a minority shareholder and the value of conversion rights attached to the convertible note and options granted.

Hedge derivative reserve

The hedge derivative reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity instruments issued to employees.

Other reserve

The other reserve is used to recognise the actuarial re-measurement gains and losses in relation to the defined benefit obligations.

18. OPERATING SEGMENTS

The Group's operations are situated in two geographical locations, being Australia and Indonesia. Its minerals business is based in Indonesia where it is currently producing copper cathode from its 28,000 tonnes per annum Wetar Copper Project. It is also conducting mineral exploration on Wetar Island. Corporate activities are based in Australia and are not considered an operating segment.

Operating segment

| | Copper mining | | Total | |
|--------------------------------------|----------------|-----------------|----------------|-----------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 |
| Revenue | | | | |
| Sales revenue | 209,505 | 73,618 | 209,505 | 73,618 |
| Interest income | | | 92 | 35 |
| Total revenue | | | 209,597 | 73,653 |
| Result | | | | |
| Segment result | 60,700 | (15,107) | | |
| Income tax expense | (970) | 4,694 | | |
| Post-tax segment result | 59,730 | (10,413) | 59,730 | (10,413) |
| Unallocated expenses | | | (3,399) | (2,722) |
| Loss after income tax | | | 56,331 | (13,135) |
| Assets | | | | |
| Segment assets | 289,180 | 305,202 | 289,180 | 305,202 |
| Unallocated assets ¹ | | | 402 | 2,833 |
| Total assets | | | 289,582 | 308,035 |
| Liabilities | | | | |
| Segment liabilities | 154,972 | 193,622 | 154,972 | 193,622 |
| Unallocated liabilities ² | | | 1,700 | 356 |
| Total liabilities | | | 156,672 | 193,978 |

1. Unallocated assets represent largely cash held by the parent company. Unallocated liabilities represent trade creditors and provisions.

Geographical information - Indonesia

| | Revenue from sales to external customers | | Non-current assets ¹ | |
|-------------------------|--|----------------|---------------------------------|------------------------------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 (Restated) \$'000 |
| Revenue | 209,505 | 73,618 | | |
| Plant and equipment | | | 119,572 | 145,305 |
| Development expenditure | | | 66,410 | 83,791 |
| Indonesia | 209,505 | 73,618 | 185,982 | 229,096 |

1. Non-current assets for this purpose consist of plant and equipment and development expenditure.

19. COMMITMENTS

Supply agreements

The group has entered into contracts for supply of consumable items and provision of services to the Wetar Copper Project. The contractual commitments at balance date are set out below.

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| <i>Expenditure contracted for at the reporting date, but not recognised as liabilities as follows:</i> | | |
| Contract services | | |
| - Payable within 1 year | 10,057 | 35,594 |
| - Payable later than 1 year but not later than 5 years | 9,608 | 9,570 |
| | 19,665 | 45,164 |

Operating leases

The group has entered into operating leases on certain light vehicles, storage containers and corporate offices, with lease terms between two and five years. The operating lease commitments at balance date are set out below.

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| <i>Commitments for minimum lease payments in relation to non-cancellable operating leases as follows:</i> | | |
| - Payable within 1 year | 4,204 | 9,007 |
| - Payable later than 1 year but not later than 5 years | 6,057 | 9,743 |
| | 10,261 | 18,750 |

20. CONTINGENT LIABILITIES

Bank guarantee

| | 2017 \$'000 | 2016 \$'000 |
|----------------|----------------|----------------|
| Bank guarantee | 1,033 | 1,112 |

The bank guarantees issued by the Group's bankers in favour of third parties to secure obligations of the Group is secured by cash on deposit with the banks (Note 5).

Claim by contractor

In 2011, PT Batutua Tembaga Raya ("BTR"), a subsidiary of the Company, entered into a contract for the purchase and refurbishment of six marine fuel oil generators for use at the Wetar Copper Project. The contract amounted to approximately US\$8.6 million, of which the subsidiary has paid US\$3.8 million (including storage charges). In September 2014, BTR terminated the contract following breaches of the contract identified by BTR.

An arbitration process between BTR and the contractor was commenced in 2015.

The matter was heard before the arbitrator in April 2016 in Hong Kong. Judgement has provided for payment to Royce of US\$ 1.6 million plus interest and costs, which have been estimated to be US\$0.8 million. After taking into account the estimated recovery value of the generators, a provision for US\$1.7million has been recognised at 31 December 2017. To date no amounts have been settled in relation to this arbitration.

21. CONTROLLED ENTITIES

| | Country of incorporation | Percentage of ownership | |
|--|--------------------------|-------------------------|-----------|
| | | 2017 % | 2016 % |
| Banda Minerals Pty Ltd ("BND") and its subsidiary | Australia | 100.00 | 100.00 |
| - PT Batutua Tembaga Raya ("BTR") and its subsidiary* | Indonesia | 78.0 | 75.40 |
| - PT Batutua Kharisma Permai ("BKP") ** | Indonesia | 70.00 | 70.00 |
| Way Kanan Resources Pty Ltd ("WKR") and its subsidiary | Australia | 100.00 | 100.00 |
| - PT Batutua Lampung Elok ("BLE") ** | Indonesia | 100.00 | 100.00 |

Percentage of voting power is in proportion to ownership

* In January 2017, Finders announced that its ownership in PT Batutua Tembaga Raya had increased as a result of dilution of the non-controlling interest of Posco Daewoo Corporation. When these changes are complete Finders' ownership of PT Batutua Tembaga Raya will increase to 77.4%.

**BKP is 70% owned by BTR. BLE is 99.6% owned by WKR and 0.4% owned by Finders.

The Company's interest in the Wetar Copper Project is held through PT Batutua Tembaga Raya ("BTR") and PT Batutua Kharisma Permai ("BKP"). Through BTR and BKP, the Finders group holds a 72.1% (2016: 72.1%) economic interest in the Wetar Copper Project. In January 2017, Finders announced that its economic ownership of the Wetar Copper Project had increased to 74.1%.

22. NON-CONTROLLING INTEREST

Financial information of subsidiaries that have material non-controlling interests is provide below:

| Proportion of equity interest held by non-controlling interests | | | | | |
|---|--------------------------|-----------------|-------|-------------------|---------|
| Name | Country of incorporation | Equity interest | | Economic interest | |
| | | 2017 | 2016 | 2017 | 2016 |
| PT Batutua Tembaga Raya | Indonesia | 22.0% | 24.6% | 25.9% | 27.895% |
| PT Batutua Kharisma Permai | Indonesia | 30.0% | 30.0% | 25.9% | 27.895% |

ANNUAL REPORT 31 DECEMBER 2017
Financial Statements

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Accumulated balances of material non-controlling interest: | | |
| PT Batutua Tembaga Raya | 37,198 | 33,057 |
| PT Batutua Kharisma Permai | (2,826) | (3,090) |
| Profit/(loss) allocated to material non-controlling interest: | | |
| PT Batutua Tembaga Raya | 13,169 | (3,416) |
| PT Batutua Kharisma Permai | (166) | (623) |

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

| Summarised statement of profit or loss for 2017 | PT Batutua Tembaga Raya \$'000 | PT Batutua Kharisma Permai \$'000 |
|---|--------------------------------------|---|
| Revenue | 209,596 | 26,929 |
| Cost of sales | (134,108) | (30,261) |
| Finance costs | (11,293) | (163) |
| Profit/(loss) before tax | 64,195 | (3,495) |
| Income tax (expense)/benefit | (3,823) | 2,853 |
| Profit/(loss) for the year | 60,372 | (642) |
| Other comprehensive income/(loss) net of tax | (38,133) | 605 |
| Total comprehensive income/(loss) | 22,239 | (37) |
| Attributable to non-controlling interests | 2,922 | 45 |

| Summarised statement of profit or loss for 2016 | PT Batutua Tembaga Raya \$'000 | PT Batutua Kharisma Permai \$'000 |
|--|---|--|
| Revenue | 70,190 | 10,959 |
| Cost of sales | (95,594) | (12,225) |
| Finance costs | (6,791) | (850) |
| Prior period adjustment | 15,256 | - |
| Profit/(loss) before tax | (16,940) | (2,116) |
| Income tax (expense)/benefit | 4,694 | - |
| Profit/(loss) for the year | (12,246) | (2,116) |
| Other comprehensive income/(loss) net of tax | (17,881) | (118) |
| Total comprehensive income/(loss) | (30,127) | (2,234) |
| Attributable to non-controlling interests | (8,404) | (623) |

| Summarised statement of financial position as at 31 December 2017 | PT Batutua Tembaga Raya \$'000 | PT Batutua Kharisma Permai \$'000 |
|--|---|--|
| Current assets | 71,116 | 2,412 |
| Non-current assets | 217,441 | 7,419 |
| Current liabilities | (102,277) | (11,882) |
| Non-current liabilities | (42,629) | (8,860) |
| Total equity | 143,651 | (10,911) |
| Attributable to: | | |
| Equity holders of parent | 106,453 | (8,085) |
| Non-controlling interest | 37,198 | (2,826) |

| Summarised statement of financial position as at 31 December 2016 | PT Batutua Tembaga Raya \$'000 | PT Batutua Kharisma Permai \$'000 |
|--|---|--|
| Current assets | 42,704 | 6,696 |
| Non-current assets | 271,886 | 988 |
| Current liabilities | (96,352) | (7,226) |
| Non-current liabilities | (99,734) | (11,537) |
| Total equity | 118,504 | (11,079) |
| Attributable to: | | |
| Equity holders of parent | 85,447 | (7,989) |
| Non-controlling interest | 33,057 | (3,090) |

ANNUAL REPORT 31 DECEMBER 2017

Financial Statements

| Summarised cash flow information for year ended 31 December 2017 | PT Batutua Tembaga Raya \$'000 | PT Batutua Kharisma Permai \$'000 |
|--|--------------------------------------|---|
| Operating | 60,189 | 3,775 |
| Investing | (19,653) | (3,801) |
| Finance | (40,344) | - |
| Net increase/(decrease) in cash and cash equivalents | 192 | (26) |

| Summarised cash flow information for year ended 31 December 2016 | PT Batutua Tembaga Raya \$'000 | PT Batutua Kharisma Permai \$'000 |
|--|--------------------------------------|---|
| Operating | 933 | (12,175) |
| Investing | (74,912) | (755) |
| Finance | 47,952 | 12,740 |
| Net increase/(decrease) in cash and cash equivalents | (26,026) | (190) |

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

Detailed remuneration disclosures are set out in the Remuneration Report section of the Directors' Report on pages 22 to 31.

| | 2017 \$ | 2016 \$ |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 1,762,527 | 1,110,713 |
| Long-term employee benefits | 55,678 | 266,939 |
| Post-employment benefits | 134,929 | 216,426 |
| Share-based payments | 105,278 | 129,512 |
| Termination benefits | 72,831 | 89,286 |
| | 2,131,243 | 1,812,876 |

24. SHARE BASED PAYMENTS

a) Expenses arising from share-based payments

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Shares issued under employee share scheme | (105) | (135) |
| | (105) | (135) |

The Company has an Employee Share Ownership Plan designed to provide long-term incentives to employees of the Group. The scheme is administered by the Directors who have power to determine the terms and conditions of the shares issued to eligible employees. Participation is at the discretion of the Board.

The incentive shares issued during the year are subject to performance hurdles linked to the expansion of the Wetar Copper Project, such as securing project finance, completion of the project construction on time and attaining a consistent level of copper cathode production.

b) Shares granted

| Grant date | Expiry date | Exercise price | Number | | Vested and exercisable | |
|-------------|-------------|----------------|---------------|---------------|------------------------|--------------|
| | | | 2017 '000 | 2016 '000 | 2017 '000 | 2016 '000 |
| 03 Feb 2015 | 01 Jan 2017 | 0.3500 | - | 300 | - | 300 |
| 03 Feb 2015 | 01 Jan 2018 | 0.2100 | - | 300 | - | 300 |
| 03 Feb 2015 | 01 Jan 2019 | 0.1900 | - | 300 | - | 300 |
| 03 Feb 2015 | 02 Feb 2020 | 0.1900 | - | - | - | - |
| 08 Nov 2013 | 07 Nov 2021 | 0.2008 | 3,500 | 3,500 | 3,500 | 3,500 |
| 08 Nov 2013 | 07 Nov 2021 | 0.2508 | 3,500 | 3,500 | 3,500 | 3,500 |
| 08 Nov 2013 | 07 Nov 2021 | 0.3008 | 3,500 | 3,500 | - | - |
| | | | 10,500 | 11,400 | 7,000 | 7,900 |

No options were granted during the current year

25. AUDITORS REMUNERATION

| | 2017 \$ | 2016 \$ |
|--------------------------------------|----------------|----------------|
| Ernst & Young Australia | | |
| Audit and review of financial report | 138,350 | 76,000 |
| Ernst & Young Indonesia | | |
| Audit and review of financial report | 148,250 | 72,539 |
| | 286,600 | 148,539 |

26. EARNINGS PER SHARE

| | 2017 | 2016 |
|---|---------------|---------------|
| Basic earnings/(loss) per share | 7.3 cents | (1.9 cents) |
| Diluted earnings/(loss) per share | 7.3 cents | (1.9 cents) |
| | \$'000 | \$'000 |
| Profit/(loss) used to calculate basic and diluted loss per share | 56,331 | (13,135) |
| | No. | No. |
| Weighted average number of ordinary shares used in calculating basic and diluted loss per share | 773,635,783 | 697,663,728 |

The company has 10,500,000 (2016: 11,400,000) potential ordinary shares relating to incentive shares issued under the employee share scheme that may be dilutive in future periods.

27. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Parent entity

Finders Resources Limited is the ultimate parent entity of the group. Interests in subsidiaries are set out in note 21.

b) Directors and director-related entities

Provident Minerals Pte Ltd, an entity associated with Mr Gavin Caudle, was issued 26,155,443 ordinary shares by the Company in November 2016 as part of a placement of 100,000,000 shares.

c) Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the Remuneration Report.

28. RECONCILIATION OF LOSS BEFORE INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|-----------------|
| Profit/(loss) for the year before tax | 57,301 | (17,829) |
| Depreciation and amortisation | 39,188 | 13,767 |
| Financing costs | 1,424 | 6,433 |
| Non-cash employee benefits expense | 189 | 135 |
| Realised hedges | (25,033) | (12,340) |
| Unrealised foreign exchange loss / (gain) | 1,628 | (126) |
| Unwinding discount | 544 | 358 |
| Other | 7,119 | 3,100 |
| (Increase) / decrease in receivables | (701) | (5,432) |
| (Increase) / decrease in inventories | (16,337) | (32,582) |
| (Increase) / decrease in other assets | (100) | 1,603 |
| Increase / (decrease) in trade and other payables | (3,929) | 24,587 |
| Increase / (decrease) in provisions | 66 | 1,980 |
| Net cash (outflow)/inflow from operating activities | 61,359 | (16,346) |

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | December 2016 | Cash flows- repayments | Non-cash changes Effective interest rate adjustment for transaction costs | Foreign exchange movement | December 2017 |
|---|------------------|---------------------------|---|---------------------------------|------------------|
| Borrowings | 121,557 | (40,344) | (2,301) | (3,796) | 75,116 |
| Total liabilities from financing activities | 121,557 | (40,344) | (2,301) | (3,796) | 75,116 |

30. FINANCIAL RISK MANAGEMENT

The Group is headquartered in Australia and operates in Indonesia. It is exposed to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk and fair value interest rate risk), credit risk and liquidity risk.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Group's risk management program focuses on the unpredictability and volatility of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group without unduly affecting its ability to operate and function.

The Board engages external consultants to advise on such risks from time to time.

a) Market risk

i) Foreign currency risk

The Group operates in Indonesia and is exposed to foreign exchange risk arising from currency exposures, primarily the United States Dollar and the Indonesian Rupiah.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Group's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

ii) Commodity price risk

The Group is exposed to adverse movements in the price of copper it sells as well as the price of diesel it purchases for use at the Wetar Copper Project. The risks could be managed through the use of derivative financial instruments such as forward sale and option contracts. There were no material receivables subject to quotational pricing as at 31 December 2017.

The Group currently has forward sale contracts over 14,231.5 tonnes of copper to be produced from the Wetar Copper Project. The contracts are at an average price of US\$5,636 per tonne and cover the period from January 2018 to March 2019.

The Group previously entered into forward sale contracts for Singapore Gas Oil (High Speed Diesel) to be used at the Wetar Copper Project. The last contract expired in December 2017 and no further contracts have been entered.

These forward contracts qualify for cash flow hedge accounting.

iii) Interest rate risk

The Group is exposed to interest rate risk through its cash deposits held with banks and the interest rate payable on its secured loan facilities.

b) Credit risk

Credit risk is the risk that counterparties may default on their contractual obligation, resulting in a financial loss to the Group.

The risk arises from cash and deposits with financial institutions and credit exposures to trade customers.

The Group minimises this risk by maintaining its banking relationships with credit-worthy financial institutions. The Group deals largely with Commonwealth Bank of Australia (AA-credit rating) and BNP Paribas (A credit rating).

Copper sales are either secured by letters of credit issued by the customers' banks or are to credit-worthy counterparties.

The maximum exposure is the carrying amount in the statement of financial position. The significant concentration of credit risk is in relation to the cash and cash equivalents.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages its liquidity risk by closely monitoring its forecast and actual cash flows. The Group generated cash flow from the Wetar Copper Project. Its additional funding requirements were sourced from debt finance and equity raisings.

The appropriate level of liquidity is determined by cash flow forecasting. Surplus funds are invested on short-term deposits.

d) Financial instrument composition, interest rate exposure and maturity analysis:

(i) Interest rate exposure for financial assets and liabilities exposed to variable interest rates

| | Note | Weighted average effective interest rate % | Floating interest rate maturing | | | | Total \$'000 |
|------------------------------|------|--|---------------------------------|--------------------------|--------------------------|------------------------------|-----------------|
| | | | Within 1 year \$'000 | 1 – 2 years \$'000 | 2 – 5 years \$'000 | Over 5 years \$'000 | |
| 2017 | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and cash equivalents | 5 | 0.73 | 2,178 | - | - | - | 2,178 |
| Debt service reserve account | | 1.41 | 11,532 | - | - | - | 11,532 |
| | | | 13,710 | - | - | - | 13,710 |
| <i>Financial liabilities</i> | | | | | | | |
| Loans ^{1,2} | 14 | 6.85 | 49,023 | 26,092 | - | - | 75,116 |
| | | | 49,023 | 26,092 | - | - | 75,116 |
| 2016 | | | | | | | |
| <i>Financial assets</i> | | | | | | | |
| Cash and cash equivalents | 5 | 0.59 | 4,879 | - | - | - | 4,879 |
| | | | 4,879 | - | - | - | 4,879 |
| <i>Financial liabilities</i> | | | | | | | |
| Loans | 14 | 6.24 | 41,099 | 44,585 | 35,873 | - | 121,557 |
| | | | 41,099 | 44,585 | 35,873 | - | 121,557 |

1. Interest calculated as LIBOR + margin
2. Balances net of amortised borrowing costs

(i) Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

| | Note | Within 1 year \$'000 | 1 – 2 years \$'000 | 2 – 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--------------------------|------|----------------------------|-----------------------|-----------------------|------------------------|-----------------|
| 2017 | | | | | | |
| Trade and other payables | 12 | 37,774 | - | - | - | 37,914 |
| Loans | 14 | 53,377 | 26,577 | - | - | 79,954 |
| | | 91,151 | 26,577 | - | - | 117,868 |
| 2016 | | | | | | |
| Trade and other payables | 12 | 41,703 | - | - | - | 41,703 |
| Loans | 14 | 48,228 | 49,050 | 36,403 | - | 133,681 |
| | | 89,931 | 49,050 | 36,403 | - | 175,384 |

Refer to Note 10 for the maturity profile of Hedging derivative liabilities.

e) Fair values

Derivative liabilities are recorded at fair value – refer to note 9 for details. The carrying amounts of all other financial assets and liabilities included in the balance sheet considered to approximate fair value.

f) Sensitivity analysis

Commodity Price Risk, Foreign Currency Risk and Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to commodity price risk, foreign currency risk and interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

i) Commodity price sensitivity analysis

The effect on loss as a result of changes in the price of copper, with all other variables remaining constant would be as follows:

| | 2017 \$'000 | 2016 \$'000 |
|---------------------------------|----------------|----------------|
| <i>Change in profit/equity</i> | | |
| Increase in copper price by 10% | 10,949 | 4,278 |
| Decrease in copper price by 10% | (10,949) | (4,278) |

ii) Foreign currency risk sensitivity analysis

The effect on loss as a result of changes in the value of the Australian Dollar to the United States Dollar, with all other variables remaining constant is as follows:

| | 2017 | 2016 |
|---------------------------------|---------|---------|
| | \$'000 | \$'000 |
| <i>Change in profit/equity</i> | | |
| Improvement in AUD to USD by 5% | 8,690 | (2,475) |
| Decline in AUD to USD by 5% | (7,862) | 2,735 |

The effect on loss as a result of changes in the value of the Australian Dollar to the Indonesian Rupiah, with all other variables remaining constant is as follows:

| | 2017 | 2016 |
|---------------------------------|---------|---------|
| | \$'000 | \$'000 |
| <i>Change in profit/equity</i> | | |
| Improvement in AUD to IDR by 5% | 5,444 | 2,688 |
| Decline in AUD to IDR by 5% | (6,017) | (2,971) |

iii) Interest rate risk sensitivity analysis

The effect on loss as a result of changes in interest rates, with all other variables remaining constant is as follows:

| | 2017 | 2016 |
|--------------------------------|--------|---------|
| | \$'000 | \$'000 |
| <i>Change in profit/equity</i> | | |
| Interest rates decrease 1% | 786 | 1,207 |
| Interest rates increase 1% | (784) | (1,205) |

31. PARENT ENTITY FINANCIAL INFORMATION

| | 2017 \$'000 | 2016 \$'000 |
|----------------------------|----------------|----------------|
| <i>Balance sheet</i> | | |
| Current assets | 168,136 | 157,523 |
| Non-current assets | 33,922 | 45,097 |
| Total assets | 202,058 | 202,620 |
| Current liabilities | 32,277 | 33,391 |
| Non-current liabilities | - | 28 |
| Total liabilities | 32,277 | 33,419 |
| Net assets/(liabilities) | 169,781 | 169,201 |
| Shareholders' equity | | |
| Contributed equity | 168,301 | 168,182 |
| Reserves | | |
| Equity reserve | 7,160 | 7,055 |
| Accumulated losses | (5,680) | (6,036) |
| | 169,781 | 169,201 |
| Profit for the year | 356 | 1,832 |
| Total comprehensive income | 356 | 1,832 |

Guarantees entered into by the parent entity

No guarantees were entered into by the parent entity.

Contingent liabilities of the parent entity

There are no contingent liabilities.

Contractual commitments for the acquisition of property, plant and equipment

No contractual commitments were entered into by the parent entity.

32. EVENTS AFTER BALANCE DATE

Eastern Field Takeover Offer

During 2017, Finders Resources Limited became the target of an unsolicited off-market takeover offer by Eastern Field Developments Limited (Eastern Field), (the Offer), a special purpose vehicle jointly owned by Procap Partners Limited, PT Saratoga Investama Sedaya Tbk and PT Merdeka Copper Gold Tbk. Eastern Field announced its off-market cash offer to acquire Finders for \$0.23 per share on 6 October 2017 and the Offer opened on 20 November 2017. On 15 February 2018, Eastern Field declared the Offer unconditional and on 19 March 2018, Eastern Field acquired a relevant interest in 60.22% of Finders shares, and therefore a controlling interest in Finders Resources Limited. On 29 March 2018, Eastern Field has notified that it has a relevant interest in 91.19% of Finders shares on issue as at 28 March 2018, and the Offer is due to close on 30 March 2018.

As a consequence of Eastern Field acquiring a controlling interest in Finders Resources Limited, the banking syndicate were notified that a review event had occurred as defined in the Senior Secured Project Finance Facility (refer note 14) which requires the majority of the lenders under the Senior Secured Project Finance Facility to consult in good faith for a period of 30 days in relation to the change of control and its implications for the Wetar Copper Project. If, after the 30 day negotiation period, the facility agent (acting on behalf of the majority lenders) notifies the Group that it does not consider the change of control of Finders to be acceptable, the Group must refinance the facility within 90 days of the facility agent providing that notice. Failure to refinance the facility within 90 days in the circumstances will constitute an event of default under the Senior Secured Project Finance Facility.

Directors' Declaration

In accordance with a resolution of the directors of Finders Resources Limited, I state that:

1. In the opinion of the directors:

(a) the financial statements and notes set out on pages 33 to 82 for the financial year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a); and

(c) subject to the matters disclosed in Note 2(w), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2017.

Signed in accordance with a resolution of the Board of Directors.



Gary Comb
Chairman

Perth
29 March 2018

Independent auditor's report to the shareholders of Finders Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Finders Resources Limited ("the Company"), including its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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:

- (i) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 2w in the financial report regarding the ability of the Group to continue as a going concern. The conditions described indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business at the recorded amounts. Our opinion is not modified in respect of this matter.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Recognition and measurement of rehabilitation provisions

Why significant

The Group recognised a rehabilitation provision of \$9.6 million as at 31 December 2017, as disclosed in Note 13 to the financial statements. The rehabilitation provision is in connection with the Group's closure obligations when the Wetar Copper Project ceases operations in the future. The calculation of this provision requires judgment in estimating the future costs, the timing as to when the future costs will be incurred and the determination of an appropriate rate to discount the future costs to their present value. The Group reviews rehabilitation obligations that have arisen annually, or as new information becomes available, including an assessment of the underlying assumptions used, effects of any changes in local regulations, and the expected approach to rehabilitation.

How our audit addressed the key audit matter

We assessed the Group's rehabilitation provision, and enquired about material movements in the provision during the year.

We evaluated the legal and/or constructive obligations with respect to the rehabilitation for Wetar Copper Project sites and processing facilities, the intended method of rehabilitation and the associated cost estimates.

We assessed the competency, capability and objectivity of managements' expert compiling the data that supported the provisions, in particular the cost estimates.

We also assessed the accuracy of the calculations used to determine the rehabilitation provision and considered the appropriateness of the discount rate applied.

Impairment of plant and equipment and capitalised development expenditure

Why significant

The Group recognised plant and equipment and capitalised development expenditure, of \$186.0 million as at 31 December 2017, as disclosed in Notes 11 and 12 to the financial statements.

Australian Accounting Standards, require the Group to assess at each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. No impairment was recognised during the year.

The impairment testing process is complex and judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions. Key assumptions, judgements and estimates used in the formulation of the Group's impairment of non-current assets include discount rate and copper price.

How our audit addressed the key audit matter

We evaluated management's assessment of whether any indicators of impairment were present.

We involved our valuations specialists to assess potential indicators of impairment such as forward copper prices, discount rates and forward exchange rates.

We also considered other potential indicators of impairment including production, reserves and cost forecasts.

We assessed the competency, capability and objectivity of the Group's internal experts compiling the reserves and resources data.

We obtained and read the minutes from Director's meetings and various operational reports and plans in order to understand the future plans of the Group and whether there was any potential impairment indicators.

Hedging transactions

Why significant

The Group entered into copper and diesel forward contracts to manage the exposure to variability of cashflows arising from future copper sales and diesel purchases. In accordance with Australian Accounting Standards these transactions have been designated into hedge relationships and the Group had net derivative liabilities of \$29.9 million as at 31 December 2017 and a hedge reserve of \$3.6 million, net of tax.

The application of hedge accounting requires judgement in respect of the valuation and designation of the hedging instruments, as outlined in Note 10 of the financial statements.

How our audit addressed the key audit matter

We read the contracts and assessed the Group's hedging documentation for all forward contracts designated as hedge transactions to assess whether they have been recognised in accordance with Australian Accounting Standards.

We involved our valuation specialists to address the fair value of the Group's forward contracts including consideration of whether any hedge ineffectiveness has been identified during the period.

We also assessed whether the likelihood of the underlying transactions occurring was probable.

Information other than the financial statements and auditor's report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 on the other information obtained prior to the date of this auditor's report, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment 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 entity'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 in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity'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 disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the financial 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 consolidated financial statements represent 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 to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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

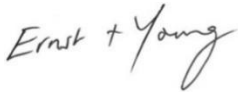
Opinion on the remuneration report

We have audited the Remuneration Report included in pages 22 to 31 of the Directors' Report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Finders Resources Limited for the year ended 31 December 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.



Ernst & Young



T S Hammond
Partner
Perth
29 March 2018

SHAREHOLDERS INFORMATION AS AT 23 MARCH 2017

The following additional information is required by the Australian Securities Exchange. The information is current as at 23 March 2018.

(a) Distribution schedule and number of holders of fully paid ordinary shares as at 23 March 2018

| Holdings Ranges | Holders | Total Units |
|------------------|--------------|--------------------|
| 1-1,000 | 97 | 10,640 |
| 1,001-5,000 | 120 | 405,132 |
| 5,001-10,000 | 96 | 809,841 |
| 10,001-100,000 | 424 | 18,130,846 |
| 100,001 and over | 278 | 769,409,324 |
| | 1,015 | 788,765,783 |

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 23 March 2018 is 123.

(b) 20 Largest registered holders of quoted equity securities as at 23 March 2018

The names of the twenty largest holders of fully paid ordinary shares (ASX code: FND) as at 23 March 2018 are:

| Rank | Name | Shares | % of Total Shares |
|------|--|--------------------|-------------------|
| 1 | Provident Minerals Pte Ltd | 106,214,208 | 13.5% |
| 2 | Eastern Field Developments Limited | 88,811,793 | 11.3% |
| 3 | Bond Street Custodians Limited <Taurus Res Ltd Partner A/C> | 68,009,731 | 8.6% |
| 4 | PT Saratoga Investama Sedaya | 47,033,990 | 6.0% |
| 5 | Eastern Field Development Ltd | 83,377,122 | 10.6% |
| 6 | JP Morgan Nominees Australia Limited | 31,880,343 | 4.0% |
| 7 | Provident Minerals Pte Ltd | 26,155,443 | 3.3% |
| 8 | Zero Nominees Pty Ltd | 24,600,000 | 3.1% |
| 9 | Bond Street Custodians Limited <Taurus Resources TST A/C> | 19,329,794 | 2.5% |
| 10 | HSBC Custody Nominees (Australia) Limited | 17,210,266 | 2.2% |
| 11 | Spar Nominees Pty Ltd | 13,222,075 | 1.7% |
| 12 | National Nominees Limited | 12,849,820 | 1.6% |
| 13 | ICBC Standard Bank PLC | 12,248,538 | 1.6% |
| 14 | CS Fourth Nominees Pty Limited | 12,209,094 | 1.5% |
| 15 | BNP Paribas Nominees Pty Ltd | 10,146,402 | 1.3% |
| 16 | Passchendaele Ridge Pty Ltd | 10,000,000 | 1.3% |
| 17 | Citicorp Nominees Pty Limited | 8,997,902 | 1.1% |
| 18 | Mr Robert Paul Martin & Mrs Susan Pamela Martin | 8,822,184 | 1.1% |
| 19 | BNP Paribas Noms Pty Ltd | 8,544,634 | 1.1% |
| 20 | Mr Robert Paul Martin & Mrs Susan Pamela Martin <Nitro Super Fund A/C> | 6,200,000 | 0.8% |
| | TOTAL | 615,863,339 | 78.2% |

(c) Substantial shareholders

Substantial shareholders in Finders Resources Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

| Name | Shares | % of Total Shares | Date of Last Notice |
|------------------------------------|-------------|-------------------|---------------------|
| Eastern Field Developments Limited | 642,342,158 | 81.44% | 23 March 2018 |
| Procap Partners Limited | 642,342,158 | 81.44% | 23 March 2018 |
| PT Saratoga Investama Sedaya TBK | 642,342,158 | 81.44% | 23 March 2018 |
| PT Merdeka Copper Gold TBK | 642,342,158 | 81.44% | 23 March 2018 |
| Provident Minerals Pte Ltd | 106,214,208 | 13.73% | 28 November 2016 |
| Taurus SM Holdings Pty Limited | 87,339,525 | 11.47% | 21 November 2016 |

(d) Restricted Securities as at 23 March 2018

The Company had the following restricted securities as at 23 March 2018:

| Security | Holding Lock |
|---------------------------------------|---|
| 16,398,538 fully paid ordinary shares | These shares are subject to a holding lock until the close of Eastern Field Developments Limited's off-market takeover offer for Finders Resources Limited ("Offer"), ("Holding Lock"), to ensure that the shares, which the Offer does not extend to, are not accepted into the Offer. The Holding Lock will be released earlier if the Offer is extended to these shares. |

(e) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

(f) On-Market Buy-Back

The Company is not currently undertaking an on-market buy-back.

(g) Corporate Governance

The Board of Finders Resources Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at <http://findersresources.com/finders/corporate-governance/>.