
**Financial
Report for the
Year ended
30 June 2018**

Corporate Directory

Board of Directors

| | |
|-------------------|------------------------|
| Mr Thomas Sanders | Executive Chairman |
| Mr Mark Edwards | Non-Executive Director |
| Mr Michael Kitney | Non-Executive Director |

Senior Management

| | |
|----------------------|---|
| Mr Alastair Barker | Exploration Manager |
| Miss Michelle Simson | Manager Corporate Affairs/Company Secretary |

Principal Place of Business & Registered Office

12 Walker Avenue
West Perth, Western Australia 6005

Tel: +61 8 9226 3666
Fax: +61 8 9226 3668
Email: breaker@breakerresources.com.au
Website: www.breakerresources.com.au

Auditors

Rothsay Chartered Accountants
Level 1, 4 Ventnor Avenue
West Perth, Western Australia 6005

Solicitors

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth, Western Australia 6000

Share Registry

Automic Registry Services
Level 2, 267 St George's Terrace
Perth, Western Australia 6000

Tel: 1300 288 664 (within Australia)
+62 9698 5414 (outside Australia)
Email: hello@automic.com.au
Website: www.automic.com.au

Securities Exchange Listing

Fully paid ordinary shares and partly paid ordinary shares in Breaker Resources NL are quoted on ASX Limited (codes: BRB and BRBCA respectively). The Home Exchange is Perth, Western Australia.

ABN

87 145 011 178

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Review of Activities

2017/18 was a milestone year for Breaker Resources NL (**Breaker**) with the completion of over 82,000m of drilling and release of a maiden Mineral Resource for the Bombora gold deposit at the 100%-owned **Lake Roe Project**, 100km east of Kalgoorlie. The Company also identified a new lithium discovery at Lake Roe.

Lake Roe Drilling

Drilling in the period was undertaken using between three and four rigs (reverse circulation (**RC**) and diamond) and consistently delivered excellent results and continued to identify new and extensional lodes within and outside the 2.2km Bombora discovery area.

Resource delineation drilling at Bombora commenced in February 2017. The RC drilling is progressively reducing the drill hole spacing to 40m x 20m (from 100m x 20m or wider). The main aim of the diamond drilling is structural orientation and validation but some holes are extended to provide an indication of depth potential. Highlight intersections during the period included¹:

| Hole_ID | Interval at g/t Au | From | Includes |
|----------|--------------------|--------|--------------------|
| BBDD0064 | 2.9m at 89.44g/t | 72.11m | 1.65m at 156.83g/t |
| BBRC0379 | 14m at 4.23g/t | 95m | 3m at 15.65g/t |
| BBRC0379 | 7m at 5.2g/t | 117m | 5m at 7.03g/t |
| BBRC0390 | 24m at 2.24g/t | 132m | 7m at 4.29g/t |
| BBRC0452 | 20m at 3.29g/t | 140m | 16m at 4.06g/t |
| BBRC0487 | 44m at 3.87g/t | 60m | 13m at 9g/t |
| BBRC0579 | 24m at 0.94g/t | 12m | 4m at 3.71g/t |
| BBRC0581 | 12m at 1.15g/t | 96m | 4m at 2.25g/t |
| BBRC0644 | 27m at 12.37g/t | 120m | 13m at 24.48g/t |
| BBRC0689 | 24m at 3.12g/t | 36m | 11m at 6.33g/t |
| BBRC0694 | 36m at 2.78g/t | 8m | 8m at 8.01g/t |
| BBRC0752 | 34m at 14.24g/t | 44m | 7m at 48.92g/t |
| BBRC0794 | 10m at 3.41g/t | 82m | 9m at 3.76g/t |
| BBRC0805 | 12.25m at 4.29g/t | 264m | 5.25m at 9.35g/t |
| BBRC0817 | 12m at 6.78g/t | 152m | 8m at 9.72g/t |
| BBRC0832 | 20m at 4.2g/t | 8m | 4m at 15.49g/t |
| BBRD0441 | 7m at 23.72g/t | 121m | 5.36m at 30.85g/t |
| BBRD0675 | 9m at 35.88g/t | 131m | 2.88m at 108.55g/t |
| BBRD0758 | 17m at 13.68g/t | 181m | 7m at 32.66g/t |
| BBRD0819 | 21m at 5.74g/t | 273m | 13m at 9.12g/t |

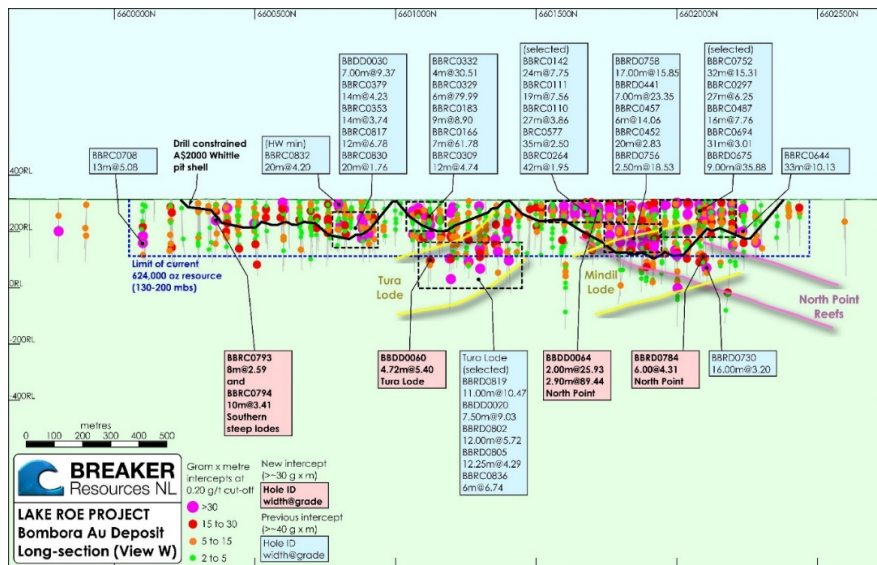


Figure 12: Long Section looking west showing selected new and previous drill intersections with (drill-constrained) A\$2,000/oz open pit shell as utilised to assess sensitivity of Mineral Resource (all intersections by down-hole length)

Gold mineralisation at Bombora is largely stratabound, occurring preferentially in quartz dolerite in three dominant geometries in a consistent structural framework. Typically, the gold-bearing structures intersect the chemically favourable, iron-rich western part of the dolerite host rock, giving rise to plunging lodes in various orientations.

Gold occurs throughout the 2.2km discovery zone as sulphide-bearing mineralised shears and quartz lodes in steep shear lodes, flat-dipping quartz reefs and lodes and west-dipping veins and lodes, as well as in zones of stockwork mineralisation. The gold distribution is primarily controlled by multiple, stacked, steep, NNW-trending mineralised faults and in linking, flat and west-dipping (conjugate, stacked) mineralised faults between and marginal to the steep shear lodes.

The repetitive nature of the steep “controlling” mineralised faults, and the deep gold mineralisation intersected to date, indicate that gold mineralisation is likely to extend at depth.

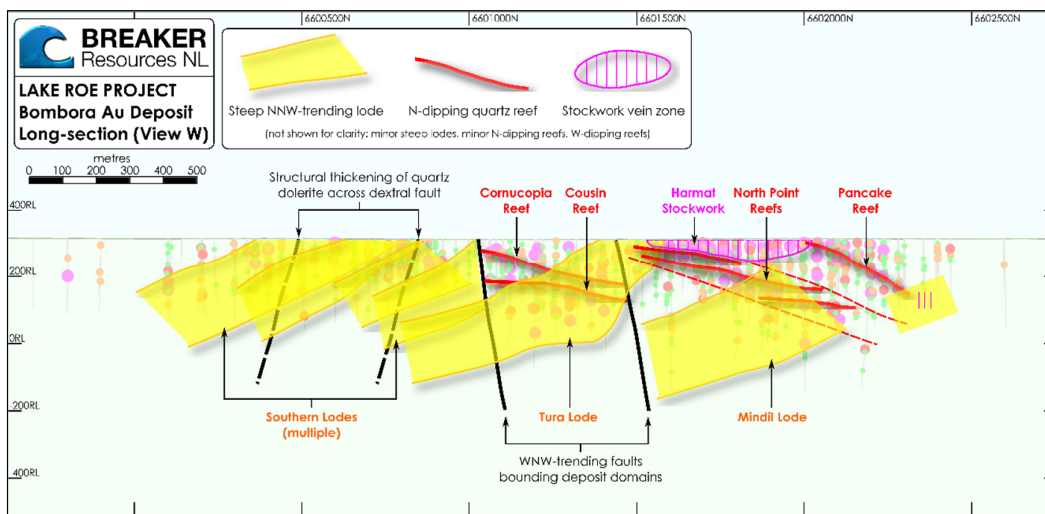


Figure 2: Bombora gold deposit: Structural summary

Maiden Mineral Resource

The Mineral Resource³ estimate was completed by Breaker Resources NL and was independently audited by Cube Consulting Pty Ltd.

Using cut-off grades appropriate for open pit mining, the maiden Mineral Resource is:

| JORC Mineral Resource | | | |
|-----------------------|-------------------|------------|----------------|
| Classification | Tonnes | g/t gold | Ounces |
| Indicated | 5,276,000 | 1.6 | 264,000 |
| Inferred | 6,600,000 | 1.7 | 360,000 |
| Total | 11,876,000 | 1.6 | 624,000 |

Table 1: Mineral Resource for the Bombora Deposit at the Lake Roe Project (Lower cut-off grade of 0.2g/t Au reported above 0.5g/t Au)

Using an upper cut-off grade of 2.0g/t gold for reporting, which is more appropriate for underground mining, the maiden Mineral Resource contains:

| Classification | Tonnes | g/t gold | Ounces |
|----------------|------------------|------------|----------------|
| Indicated | 875,000 | 4.3 | 121,000 |
| Inferred | 1,390,000 | 4.1 | 185,000 |
| Total | 2,265,000 | 4.2 | 306,000 |

Table 2: Mineral Resource reported above cut-off grade of 2.0g/t Au (Lower cut-off grade of 0.2g/t Au reported above 0.5g/t Au)

The Resource estimate, which includes resource drilling completed to mid-March 2018, confirms a robust gold deposit with exceptional open pit and underground growth potential. A gold endowment of 3,000-5,000 ounces per vertical metre in areas of adequate drill density compares favourably with many well-known deposits.

The Resource is open in all directions and limited only by the extent of drilling completed. Gold mineralisation below 200m below surface (**mbs**) is not reported. The high-grade component of the Mineral Resource is primarily contained in high-grade primary lodes (mineralised shears), highlighting the scope for longer term underground mining potential below the current Resource.

Approximately 45% of the Mineral Resource is in the higher confidence Indicated Resource category. This corresponds with areas of higher density drilling, which extend to an average depth of approximately 130mbs in the central-north part of the deposit. The Inferred component of the Mineral Resource corresponds with areas of more widely spaced drilling situated below an average depth of approximately 130m, and in the southern part of the deposit. Based on the Whittle open pit optimisation analysis, and deeper high-grade reconnaissance drill intersections, there is excellent potential for nearly all of the gold in the Resource to be open pitable in due course.

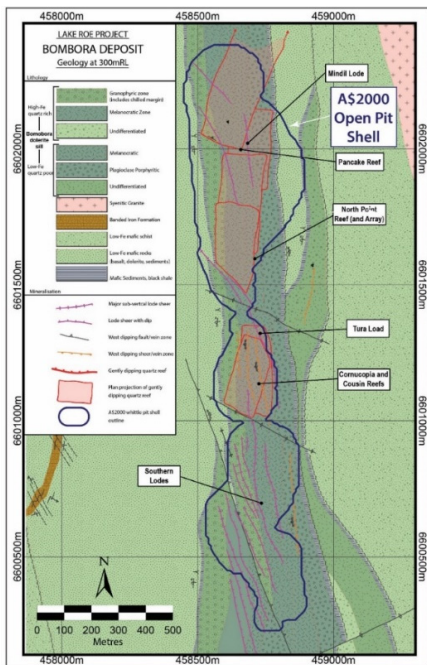


Figure 3: AS2,000/oz open pit shell and Mineral Resource over geology

Two rounds of metallurgical testwork undertaken in the period indicate no metallurgical issues and point towards low-cost gold processing. Excellent results for gold recovery were achieved in both oxide material (96-99%) and fresh rock (97-99%) at a relatively coarse grind size of 106-125µm which indicates low energy consumption and hence low operating costs⁴.

Drilling completed subsequent to the release of the Resource extend and upgrade the Bombora gold discovery, returning intersections of up to 257g/t Au and identifying new lodes and extensions to the deposit⁵. Recent modelling has unambiguously confirmed the geometry and continuity of mineralisation.

Bombora Overview

The pattern in the drilling is very clear – drilling outside the Mineral Resource continues to identify new gold lodes and extensions that increase the resource potential. The results to date indicate that Bombora is a major greenfields gold discovery in the early stages of delineation.

The Company's objective is to delineate 700-800,000oz of high-grade open pit gold mineralisation over the next 5-9 months to lay the foundation for a high-margin, open pit development. The underground potential appears very real but will be assessed in the longer term.

Modelling of the gold mineralisation in preparation for a revised Resource has unambiguously confirmed the geometry and continuity of mineralisation, significantly upgrading the mining potential. The modelling has now confirmed that the gold distribution is controlled by multiple, stacked, steep NNW-trending mineralised faults with "linking" flat and/or west-dipping mineralised faults that are also stacked and commonly well-mineralised.

The geometry of the steep, flat and west-dipping mineralised structures is shown in Figure 4 overleaf.

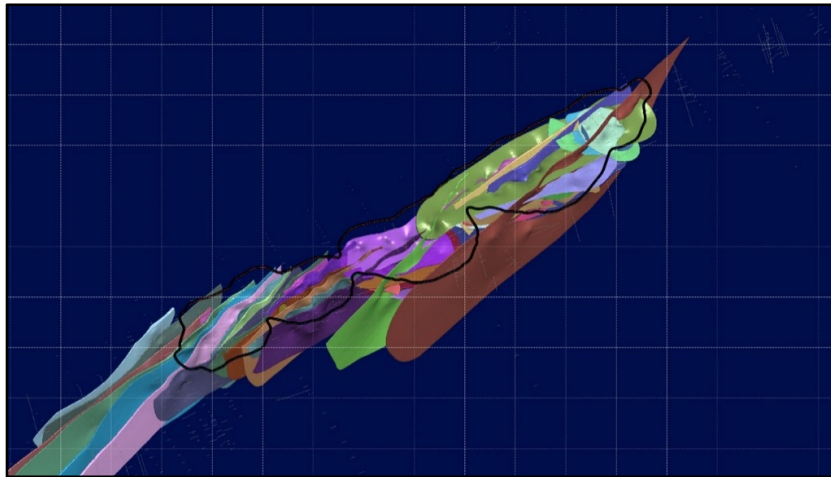


Figure 4: Three-D model of Bombora gold deposit showing steep, flat and west-dipping lodes looking down and to the northwest (boundary of preliminary A\$2,000 Whittle open pit shell in black)

Other Lake Roe Activities

In addition to drilling, other activities undertaken at Lake Roe during the period include geological mapping and rock chip sampling. The Manna Lithium Prospect, an outcropping swarm of lithium-cesium-tantalum pegmatites, was discovered during the March 2018 quarter. First-pass rock chip sampling showed widespread enrichment in lithium (up to 3.81% Li₂O), tantalum (up to 366ppm Ta₂O₅) and niobium (up to 251ppm Nb₂O₅), and strong evidence of chemical zoning⁶.

Mapping has confirmed a ~130m wide corridor of sub-cropping spodumene-bearing pegmatite dykes with a strike length of at least 750m. Additional rock chip assays are pending however planning is underway for RC and diamond drilling at Manna, to be completed in the September 2018 quarter, subject to rig availability.

Other Exploration

The **Ularring Rock Project** is located 100km east of Perth and covers the Centre Forest and Southern Brook gold-copper prospects. Assessment of the project was ongoing during the period with a review of historical datasets identifying potential for a district scale mineralisation system with multiple structural and geochemical targets, including a large bullseye groundwater tungsten anomaly. A reconnaissance field investigation was completed in 2017/18 and pre-ground work activities will continue.

As at 30 June 2018, the Company held approximately 987km² of tenements comprising nine granted exploration licences and one mining lease application across the Lake Roe and Ularring Rock Project areas.

Corporate

In September 2017 Breaker completed an over-subscribed capital raising of \$11.36million comprising a placement and share purchase plan. Other equity movements during the period include the issue of shares to Ausdrill as part consideration for drilling services, the paying up of partly paid to fully paid ordinary shares and the lapse and issue of unlisted employee options.

¹ ASX Releases 31 October 2017; 30 January 2018; 30 April 2018; 31 July 2018

² ASX Release 31 July 2018

³ ASX Release 18 April 2018

⁴ ASX Release 30 January 2018

⁵ ASX Release 31 July 2018

⁶ ASX Release 30 April 2018

Directors' Report

The directors of Breaker Resources NL herewith submit the financial report for the year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001* (Cth), the directors report as follows:

Information about Officeholders

Directors

The names of the directors of the Company during the financial year and up to the date of this report are provided below. All of the directors held their positions for the entire financial year period.

Mr Thomas Sanders BSc (Geology); MSc (Mineral Economics); MAusIMM; FAICD
Executive Chairman (appointed 2 July 2010)

Tom Sanders is a geologist with over 35 years' experience in the Australian mining industry. He has extensive experience in project generation, exploration, feasibility, mining and corporate management with a strong emphasis on gold and nickel in Western Australia (WA). Mr Sanders has published works on nickel and gold in WA, in addition to regional mineralisation studies on the eastern Kimberley region under contract to the Geological Survey of WA.

Mr Sanders has managed a large number of exploration projects, several of which he progressed into production during a 23 year period based in the Kalgoorlie region in WA. He has extensive production experience on several underground and open pit gold and nickel operations.

Mr Sanders was responsible for identifying Breaker's initial projects and guiding the Company to a successful ASX listing in 2012. Mr Sanders previously founded Navigator Resources Limited and steered that company from initial project acquisition to ASX-listing. He then managed the building of a two million ounce gold resource inventory through discovery and acquisition and identified the Cummins Range rare earth resource.

During the past three (3) years, Mr Sanders has not served as a director on any other listed company.

Mr Mark Edwards BJuris; LLB
Non-Executive Director (appointed 2 July 2010)

Mark Edwards is a solicitor with over 25 years of experience in resources and corporate law. He has advised a number of ASX-listed companies active in the resources sector and on a range of resources projects in Australia and overseas, including significant nickel, gold and iron ore projects. His professional work has involved him in many facets of the resources industry ranging from ASX listings, exploration and mining joint ventures to project development agreements and project financing.

During the past three (3) years, Mr Edwards has not served as a director on any other listed company.

Mr Michael Kitney Assoc. Met; Post Grad Dip (Extractive Metallurgy); MSc (Mineral Economics); MAICD; MAusIMM
Non-Executive Director (appointed 2 July 2010)

Mike Kitney is a process engineer with over 40 years' experience in the mining industry. He has participated in the development and construction of projects throughout Australia, Africa, south east Asia and the former Soviet Union. Mr Kitney's particular strengths are in production and mineral processing, all aspects of environmental management, project evaluation and assessment and leadership of interdisciplinary project teams. He brings to the Company vast project development expertise and practical experience in commissioning new projects.

Mr Kitney has previously held senior technical and project management positions with Kasbah Resources Limited, Alcoa Australia Limited, Minproc Engineers Limited, Property Company of London plc, British Phosphate Commissioners, Nelson Gold Corporation Limited and Avocet Mining plc. He is currently a technical consultant to ASX-listed Prospect Resources Limited.

During the past three (3) years, Mr Kitney has served as a director on ASX-listed General Mining Corporation Limited (appointed 20 October 2015; ceased 5 August 2016).

Company Secretary

The name of the company secretary of the Company during or since the end of the financial year and up to the date of this report, and the term of their appointment, are provided below.

Miss Michelle Simson EMBA (Dist.); GradDipACG; ACIS; AGIA
 Company Secretary (appointed 22 October 2012)

Michelle Simson has over 20 years' administration experience, including the last 14 years in the resources industry working in both exploration and mining companies in the commodities of gold and uranium. She has previously held positions with Agincourt Resources Limited, Nova Energy Limited and Navigator Resources Limited and has completed an Executive Master of Business Administration with Distinction at the University of Western Australia and a Graduate Diploma in Applied Corporate Governance. She is a Chartered Secretary and member of the Governance Institute of Australia.

During the past three (3) years, Miss Simson has not served as a director on any other listed company.

Board Committee Membership

As at the date of this report, the Board has an Audit Committee, Nomination Committee, Remuneration Committee and a Risk Committee. All directors currently comprise membership of each of the committees and the chairmen of the respective committees are:

- ✘ Audit Committee: Mark Edwards;
- ✘ Nomination Committee: Tom Sanders;
- ✘ Remuneration Committee: Mike Kitney; and
- ✘ Risk Committee: Tom Sanders.

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director is as follows:

| Director | Board of Directors | | Committee Meetings | | | | | | | |
|--------------|--------------------|---------|--------------------|---------|------------|---------|--------------|---------|------|---------|
| | Held | Present | Audit | | Nomination | | Remuneration | | Risk | |
| | | | Held | Present | Held | Present | Held | Present | Held | Present |
| Tom Sanders | 4 | 4 | 2 | 2 | 1 | 1 | 2 | 2 | 2 | 2 |
| Mark Edwards | 4 | 4 | 2 | 2 | 1 | 1 | 2 | 2 | 2 | 2 |
| Mike Kitney | 4 | 4 | 2 | 2 | 1 | 1 | 2 | 2 | 2 | 2 |

Directors' Interests

The following table sets out each director's relevant interest in shares and options in shares of the Company or a related body corporate as at the date of this report.

| Director | Fully paid ordinary shares Number | Partly paid ordinary shares Number | Unlisted share options Number |
|--------------|--|---|--|
| Tom Sanders | 22,544,660 | 309,871 | - |
| Mark Edwards | 1,778,190 | 65,000 | 1,250,000 |
| Mike Kitney | 1,468,544 | 58,125 | 1,250,000 |

During the financial year Nil share options were granted to directors of the Company as part of their remuneration (2017: 2,500,000).

Directors' and Officers' Insurance

During the financial year, Breaker paid a premium to insure the directors and secretary of the Company. Details of the premium are subject to a confidentiality clause under the contract of insurance. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Corporate Structure

Breaker Resources NL is a no liability public company limited by shares, domiciled and incorporated in Australia.

Principal Activities

During the year the Company carried out exploration activities on its tenements in Western Australia with the objective of identifying gold and other economic mineral deposits.

Operational Review

Activities Review

A review of the exploration activities undertaken during the year commences on page 1.

Financial Review

During the year total exploration expenditure incurred by the Company amounted to \$13,351,027 (2017: \$7,111,915). In line with the Company's accounting policies, all exploration expenditure is written off as it is incurred. Net administration expense amounted to \$720,575 (2017: \$2,311,138). The Company's operating loss after income tax for the year is \$14,071,602 (2017: \$9,423,053).

At year end the Company held cash and cash equivalents and term deposits of \$5,173,422 (2017: \$7,391,438).

Operating Results for the Year

Summarised operating results are as follows:

| | Revenues \$ | Results \$ |
|--|----------------|---------------|
| Revenues and profit/(loss) from ordinary activities before income tax expenses | 257,700 | (14,071,602) |

Shareholder Return

Summarised shareholder return is as follows:

| | 2018 cents | 2017 cents |
|-------------------------------|---------------|---------------|
| Basic profit/(loss) per share | (9.90) | (7.88) |

Dividends

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

Share Options

As at the date of this report, there are 5,650,000 unissued ordinary shares of Breaker Resources NL in respect of which options are outstanding. This number comprises:

| Type of option | Number | Exercise price | Expiry date |
|----------------|-----------|----------------|------------------|
| Unlisted | 500,000 | \$0.400 | 30 June 2019 |
| Unlisted | 2,500,000 | \$0.448 | 31 December 2019 |
| Unlisted | 2,000,000 | \$0.432 | 31 December 2019 |
| Unlisted | 150,000 | \$0.644 | 31 December 2019 |
| Unlisted | 250,000 | \$0.690 | 31 December 2019 |
| Unlisted | 250,000 | \$0.730 | 31 December 2020 |

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Share Options Issued

The following options were issued by Breaker Resources NL during the financial year:

| Type of option | Number | Exercise price | Expiry date | Comment |
|----------------|---------|----------------|------------------|--|
| Unlisted | 250,000 | \$0.730 | 31 December 2020 | Issued under Company's Incentive Option Scheme |

Shares Issued on Exercise of Options

There were Nil shares issued due to the exercise of options during the financial year.

Share Options that Expired/Lapsed

The following options expired or lapsed during the financial year:

| Type of option | Number | Exercise price | Expiry date | Reason for lapse |
|----------------|---------|----------------|------------------|-------------------------|
| Unlisted | 200,000 | \$0.403 | 31 December 2019 | Cessation of employment |
| Unlisted | 200,000 | \$0.406 | 31 December 2019 | Cessation of employment |

Significant Changes in State of Affairs

During the financial year there were no significant changes in the state of affairs of the Company other than those referred to in the Financial Statements and notes thereto.

Subsequent Events

There were no matters or circumstances arising since the end of the reporting period that have significantly affected or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2018.

Likely Developments and Expected Results

The Company expects to maintain a similar status and level of activities to that at present and hence there are no likely developments in the entity's operations.

Environmental Regulations and Performance

Breaker is subject to significant environmental regulation in respect to its exploration activities. The Company aims to ensure that the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

Proceedings on Behalf of the Company

No persons have applied for leave pursuant to section 237 of the *Corporations Act 2001* (Cth) to bring, or intervene in, proceedings on behalf of Breaker Resources NL.

Non-Audit Services

There were no non-audit services performed during the year by the auditors for the Company (or by another person or firm on the auditor's behalf).

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 16 and forms part of the Directors' Report for the financial year ended 30 June 2018.

Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Breaker Resources NL's key management personnel for the financial year ended 30 June 2018. The information provided in this report has been audited as per the requirements of section 308(3C) of the *Corporations Act 2001* (Cth).

The report is set out under the following main headings:

- ✘ Key management personnel;
- ✘ Principles used to determine the components and amount of compensation;
- ✘ Details of remuneration;
- ✘ Details of share-based compensation; and
- ✘ Details of service agreements and employment contracts.

Key Management Personnel

For the purposes of this report, key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly. The key management personnel during the year were:

- ✘ Tom Sanders Executive Chairman
- ✘ Mark Edwards Non-Executive Director
- ✘ Mike Kitney Non-Executive Director
- ✘ Alastair Barker Exploration Manager
- ✘ Michelle Simson Manager Corporate Affairs/Company Secretary

Principles Used to Determine the Components and Amount of Compensation

Remuneration Committee

The role of the Remuneration Committee is to assist the Company in fulfilling its corporate governance responsibilities relating to remuneration by reviewing and making appropriate recommendations on:

- ✘ remuneration packages of executive directors, non-executive directors and officers;
- ✘ employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed;
- ✘ recruitment, retention and termination policies and procedures for senior executives; and
- ✘ superannuation arrangements.

Remuneration Policy

The remuneration policy of Breaker Resources NL has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's results. The Board of Breaker Resources NL believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company.

The policy for determining the nature and amount of remuneration for senior executives of the Company is summarised below:

- ✘ The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- ✘ The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- ✘ Executives are also eligible to participate in the employee incentive option scheme.
- ✘ Where applicable, executives receive a superannuation guarantee contribution required by the government, which during the reporting period was 9.5%. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

- ✘ All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders in general meeting. The current remuneration pool limit is \$300,000 and is currently utilised to a level of \$80,000 per annum. The base fee paid to non-executive directors is \$40,000 per annum inclusive of superannuation.

Fees for non-executive directors are not linked to the performance of the Company however to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee incentive option scheme, although any allocation must be approved by shareholders in general meeting. There is no retirement benefit plan for directors.

Performance Based Remuneration

The Company currently has no individual performance based remuneration component built into key management personnel remuneration packages.

Company Performance, Shareholder Wealth and Key Management Personnel Remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Use of Remuneration Consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 30 June 2018.

Details of Remuneration

The key management personnel of the Company are disclosed above. Remuneration packages contain the following elements:

- ✘ Short-term employee benefits – cash salary and fees, cash bonuses, non-monetary benefits and other;
- ✘ Post-employment benefits – including superannuation and termination; and
- ✘ Share-based payments – shares and options granted.

The remuneration for each director and each of the other key management personnel of the Company during the year was as follows:

| Key management personnel | Short-term | | Post-employment | | Share-based payments | Total |
|--------------------------|----------------------|--------------|-----------------|---------------------|----------------------|---------|
| | Salary & fees | Non-monetary | Superannuation | Retirement benefits | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Tom Sanders | | | | | | |
| ✘ 2018 | 314,659 ¹ | - | - | - | - | 314,659 |

| Key management personnel | Short-term | | Post-employment | | Share-based payments | Total |
|---------------------------|----------------------------|--------------|-----------------|---------------------|----------------------|----------------|
| | Salary & fees | Non-monetary | Superannuation | Retirement benefits | Options | |
| | \$ | \$ | \$ | \$ | \$ | |
| × 2017 Mark Edwards | 252,202 | - | - | - | - | 252,202 |
| × 2018 | 40,000 | - | - | - | - | 40,000 |
| × 2017 Mike Kitney | 36,667 | - | - | - | 279,530 | 316,197 |
| × 2018 | 42,558² | - | 6,667 | - | - | 49,225 |
| × 2017 Alastair Barker | 31,195 | - | 5,472 | - | 279,530 | 316,197 |
| × 2018 | 259,938¹ | - | - | - | - | 259,938 |
| × 2017 Michelle Simson | 205,499 | - | - | - | 174,777 | 380,276 |
| × 2018 | 226,944¹ | - | 24,823 | - | - | 251,767 |
| × 2017 | 176,499 | - | 24,378 | - | 174,777 | 375,654 |

Notes

¹ "Salary & fees" includes a milestone bonus paid in relation to the completion and release of a maiden Mineral Resource for the Lake Roe Gold Project.

² In addition to directors' fees of \$33,333 and associated superannuation of \$6,667 during 2017/18, Metallurgical Design, an entity controlled by Mike Kitney, was paid fees of \$9,225 under an agreement for the provision of project management services for Lake Roe metallurgical testwork.

No director or executive appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

Details of Share-Based Compensation

Shares

Nil shares in the Company were issued to key management personnel as part of their remuneration during the year (2017: Nil).

Options

Nil options in the Company were issued to key management personnel as part of their remuneration during the year (2017: 4,500,000). There were Nil options exercised or sold by key management personnel during the year (2017: Nil).

During the year, the following share-based payment arrangements for key management personnel were in existence:

| Option series | Grant date | Expiry date | Fair value per option at grant | Vesting date |
|---------------|------------------|------------------|--------------------------------|------------------|
| | | | cents | |
| 60532 | 28 November 2016 | 31 December 2019 | 22.36 | 28 November 2016 |
| 60533 | 5 December 2016 | 31 December 2019 | 17.48 | 5 December 2016 |

Shareholdings of Key Management Personnel

The numbers of ordinary shares in the Company during the financial year in which each director of Breaker Resources NL and other key management personnel of the Company holds a relevant interest, including their closely related parties, are detailed below:

| Key management personnel | Fully Paid Ordinary Shares | | | | |
|--------------------------|----------------------------|-------------------------|---------------------------------|------------------|---------------------|
| | Balance at start of year | Granted as compensation | Received on exercise of options | Other changes | Balance at year end |
| | Number | Number | Number | Number | Number |
| Tom Sanders | | | | | |
| ✖ 2018 | 21,027,067 | - | - | 1,517,593 | 22,544,660 |
| ✖ 2017 | 20,989,230 | - | - | 37,873 | 21,027,067 |
| Mark Edwards | | | | | |
| ✖ 2018 | 1,666,108 | - | - | 112,082 | 1,778,190 |
| ✖ 2017 | 1,636,108 | - | - | 30,000 | 1,666,108 |
| Mike Kitney | | | | | |
| ✖ 2018 | 1,468,544 | - | - | - | 1,468,544 |
| ✖ 2017 | 1,468,544 | - | - | - | 1,468,544 |
| Alastair Barker | | | | | |
| ✖ 2018 | 228,912 | - | - | 144,250 | 373,162 |
| ✖ 2017 | 228,912 | - | - | - | 228,912 |
| Michelle Simson | | | | | |
| ✖ 2018 | - | - | - | 16,300 | 16,300 |
| ✖ 2017 | - | - | - | - | - |

| Key management personnel | Partly Paid Ordinary Shares | | | |
|--------------------------|-----------------------------|-------------------------|--------------------|---------------------|
| | Balance at start of year | Granted as compensation | Other changes | Balance at year end |
| | Number | Number | Number | Number |
| Tom Sanders | | | | |
| ✖ 2018 | 1,309,871 | - | (1,000,000) | 309,871 |
| ✖ 2017 | 1,309,871 | - | - | 1,309,871 |
| Mark Edwards | | | | |
| ✖ 2018 | 65,000 | - | - | 65,000 |
| ✖ 2017 | 65,000 | - | - | 65,000 |
| Mike Kitney | | | | |
| ✖ 2018 | 58,125 | - | - | 58,125 |
| ✖ 2017 | 58,125 | - | - | 58,125 |
| Alastair Barker | | | | |
| ✖ 2018 | 6,250 | - | (6,250) | - |
| ✖ 2017 | 6,250 | - | - | 6,250 |
| Michelle Simson | | | | |
| ✖ 2018 | - | - | - | - |
| ✖ 2017 | - | - | - | - |

Option Holdings of Key Management Personnel

The numbers of options over ordinary shares in the Company during the financial year in which each director of Breaker Resources NL and other key management personnel of the Company holds a relevant interest, including their closely related parties, are detailed below:

| Key management personnel | Balance at start of year Number | Granted as compensation Number | Exercised Number | Other changes Number | Balance at year end Number | Vested and exercisable Number |
|--------------------------|---|--|----------------------------|--------------------------------|--------------------------------------|---|
| Tom Sanders ¹ | | | | | | |
| ✘ 2018 | - | - | - | - | - | - |
| ✘ 2017 | - | - | - | - | - | - |
| Mark Edwards | | | | | | |
| ✘ 2018 | 1,250,000 | - | - | - | 1,250,000 | 1,250,000 |
| ✘ 2017 | - | 1,250,000 | - | - | 1,250,000 | 1,250,000 |
| Mike Kitney | | | | | | |
| ✘ 2018 | 1,250,000 | - | - | - | 1,250,000 | 1,250,000 |
| ✘ 2017 | - | 1,250,000 | - | - | 1,250,000 | 1,250,000 |
| Alastair Barker | | | | | | |
| ✘ 2018 | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 |
| ✘ 2017 | 1,000,000 | 1,000,000 | - | (1,000,000) | 1,000,000 | 1,000,000 |
| Michelle Simson | | | | | | |
| ✘ 2018 | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 |
| ✘ 2017 | 1,000,000 | 1,000,000 | - | (1,000,000) | 1,000,000 | 1,000,000 |

Note

¹ In the 2017 Financial Report, the Company reported the issue of 3,000,000 unlisted options to Tom Sanders or a closely related party. Legal advice received during 2017/18 indicates these were irregularly issued and the issue was invalid from inception.

Details of Service Agreements and Employment Contracts

Service agreements are in place between the Company and Executive Chairman Tom Sanders and Exploration Manager Alastair Barker. Manager Corporate Affairs/Company Secretary Michelle Simson is employed via contract. Details of these arrangements as at 30 June 2018 are provided below:

- ✘ Service Agreement: Tom Sanders – Executive Chairman
 - ✘ Term of agreement – Initial term of two (2) years and further terms of two (2) years, subject to termination provisions; commenced 18 April 2012 (subject to ASX listing).
 - ✘ An annual consultancy fee of \$310,000* (inclusive of superannuation, plus GST) is paid to Goldfields Geological Associates, an entity controlled by Mr Sanders, for the provision of services by Mr Sanders on a minimum of 80% of fulltime basis.
 - ✘ The agreement continues until terminated by either Goldfields Geological Associates or the Company. Subject to the *Corporations Act 2001* (Cth) and the ASX Listing Rules, Mr Sanders is entitled to a minimum notice period of 12 months and the Company is entitled to a minimum notice period of three (3) months.
 - ✘ Goldfields Geological Associates will be reimbursed for expenses incurred on the Company's behalf.

- ✘ Service Agreement: Alastair Barker – Exploration Manager
 - ✘ Term of agreement – Initial term of two (2) years and further terms of one (1) year subject to termination provisions; commenced 18 April 2012 (subject to ASX listing).

- ✘ An annual consultancy fee of \$250,000* (inclusive of superannuation, plus GST) is paid to Horizon Resources Pty Ltd, an entity controlled by Mr Barker, for the provision of services by Mr Barker on a minimum of 80% of fulltime basis.
- ✘ The agreement continues until terminated by either Horizon Resources Pty Ltd or the Company. Subject to the *Corporations Act 2001* (Cth) and ASX Listing Rules, Mr Barker is entitled to a minimum notice period of 12 months (or six (6) months after the initial term). The Company is entitled to a minimum notice period of three (3) months.

- ✘ Employment Contract: Michelle Simson – Manager Corporate Affairs/Company Secretary
 - ✘ Base salary of \$221,000* per annum (exclusive of superannuation).
 - ✘ Payment of termination benefit on termination by the employer, other than for gross misconduct, equals three (3) months' salary.
 - ✘ Notice period of three (3) months.

** The figures stated represent the respective fees as at 30 June 2018. An increase was implemented during 2017/18.*

Signed in accordance with a resolution of directors made pursuant to section 298(2) of the *Corporations Act 2001* (Cth).

On behalf of the directors



TOM SANDERS
Executive Chairman

Perth, 15 August 2018

Competent Persons Statement

The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Tom Sanders, Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Sanders is an executive of Breaker Resources NL and his services have been engaged by Breaker on an 80% of full time basis; he is also a shareholder in the Company. Mr Sanders has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 Sanders consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resources and Exploration Targets is based on information announced to the ASX on 18 April 2018 and 26 April 2018. Breaker confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements, and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.



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P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Breaker Resources NL
12 Walker Ave
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2018 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)

Rothsay Auditing

Dated 15th August 2018



Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

**Statement of Profit or Loss and Other Comprehensive Income
 for the Financial Year ended 30 June 2018**

| | Notes | 2018 \$ | 2017 \$ |
|--|-------|---------------------|--------------------|
| Income | | | |
| Government grant and incentive | 4 | 30,000 | 120,000 |
| Interest income | 4 | 207,210 | 159,303 |
| Other income | 4 | 20,490 | 18,200 |
| Total income | | 257,700 | 297,503 |
| Expenses | | | |
| Administration expenses | | (570,818) | (494,238) |
| Depreciation expenses | 4 | (103,063) | (48,646) |
| Employee benefits expenses | 4 | (239,657) | (243,604) |
| Exploration and evaluation expenses | 4 | (13,351,027) | (7,111,915) |
| Share-based payment expenses | | (64,737) | (1,822,153) |
| Total expenses | | (14,329,302) | (9,720,556) |
| Profit/(Loss) before income tax | | (14,071,602) | (9,423,053) |
| Income tax expense | 6 | - | - |
| Profit/(Loss) for the year | | (14,071,602) | (9,423,053) |
| Other comprehensive income | | - | - |
| Total comprehensive income/(loss) for the year | | (14,071,602) | (9,423,053) |
| Profit/(Loss) attributable to owners of the Company | | (14,071,602) | (9,423,053) |
| Total comprehensive income/(loss) attributable to owners of the Company | | (14,071,602) | (9,423,053) |
| Basic and diluted profit/(loss) per share attributable to the ordinary equity holders of the Company (cents per share) | 15 | (9.90) | (7.88) |

The above *Statement of Profit or Loss and Other Comprehensive Income* should be read in conjunction with the accompanying notes.

**Statement of Financial Position
 as at 30 June 2018**

| | Notes | 2018 \$ | 2017 \$ |
|--|-------|---------------------|---------------------|
| Current Assets | | | |
| Cash and cash equivalents | 7 | 5,173,422 | 3,806,916 |
| Term deposits | 7 | - | 3,584,522 |
| Trade and other receivables | 8 | 295,703 | 280,674 |
| Other financial assets | 9 | 70,390 | 69,658 |
| Prepaid service | 11 | 12,103 | - |
| Total Current Assets | | <u>5,551,618</u> | <u>7,741,770</u> |
| Non-Current Assets | | | |
| Plant and equipment | 10 | 460,119 | 257,959 |
| Prepaid service | 11 | - | 25,308 |
| Total Non-Current Assets | | <u>460,119</u> | <u>283,267</u> |
| Total Assets | | <u>6,011,737</u> | <u>8,025,037</u> |
| Current Liabilities | | | |
| Trade and other payables | 12 | 1,227,956 | 943,212 |
| Total Current Liabilities | | <u>1,227,956</u> | <u>943,212</u> |
| Total Liabilities | | <u>1,227,956</u> | <u>943,212</u> |
| Net Assets | | <u>4,783,781</u> | <u>7,081,825</u> |
| Equity | | | |
| Contributed equity | 13 | 37,051,251 | 25,342,430 |
| Share-based payment reserve | | 1,140,114 | 1,817,586 |
| Accumulated profit/(loss) | | <u>(33,407,584)</u> | <u>(20,078,191)</u> |
| Capital and reserves attributable to owners of the Company | | 4,783,781 | 7,081,825 |
| Total Equity | | <u>4,783,781</u> | <u>7,081,825</u> |

The above *Statement of Financial Position* should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the Financial Year ended 30 June 2018

| | Notes | Attributable to owners of the Company | | | Total \$ |
|---|-------|---------------------------------------|--|--------------------------------------|--------------|
| | | Contributed Equity \$ | Share- based Payments Reserve \$ | Accumulated Profit/(Losses) \$ | |
| Balance at 30 June 2016 | | 12,414,330 | 325,953 | (10,985,658) | 1,754,625 |
| Profit/(Loss) for the year | | - | - | (9,423,053) | (9,423,053) |
| Total comprehensive income/(loss) for the year | | - | - | (9,423,053) | (9,423,053) |
| Options issued during the year | | - | 1,822,153 | - | 1,822,153 |
| Options expired and transferred to accumulated losses | | - | (330,520) | 330,520 | - |
| Transactions with owners in their capacity as owners: | | | | | |
| Contributions of equity net of transaction costs | 13 | 12,928,100 | - | - | 12,928,100 |
| Balance at 30 June 2017 | | 25,342,430 | 1,817,586 | (20,078,191) | 7,081,825 |
| Profit/(Loss) for the year | | - | - | (14,071,602) | (14,071,602) |
| Total comprehensive income/(loss) for the year | | - | - | (14,071,602) | (14,071,602) |
| Options issued during the year | | - | 64,737 | - | 64,737 |
| Options expired/withdrawn and transferred to accumulated loss | | - | (742,209) | 742,209 | - |
| Transactions with owners in their capacity as owners: | | | | | |
| Contributions of equity net of transaction costs | 13 | 11,708,821 | - | - | 11,708,821 |
| Balance at 30 June 2018 | | 37,051,251 | 1,140,114 | 33,407,584 | 4,783,781 |

The above *Statement of Changes in Equity* should be read in conjunction with the accompanying notes.

**Statement of Cash Flows
 for the Financial Year ended 30 June 2018**

| | Notes | 2018 \$ | 2017 \$ |
|---|-------|---------------------|--------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (854,330) | (743,430) |
| Payments for exploration and evaluation expenditure | | (12,331,074) | (5,523,072) |
| Receipts from government grant and incentive | | 30,000 | 120,000 |
| Other income received | | 20,490 | 18,200 |
| Interest received | | 207,210 | 159,303 |
| Net cash inflow/(outflow) from operating activities | 17 | <u>(12,927,704)</u> | <u>(5,968,999)</u> |
| Cash flows from investing activities | | | |
| Payments for plant and equipment | | (263,675) | (293,970) |
| Payments for other financial assets | | (733) | (33,248) |
| Investment in term deposits | | (10,750,000) | (11,584,522) |
| Withdrawn from term deposits | | 14,334,522 | 9,131,045 |
| Net cash inflow/(outflow) from investing activities | | <u>3,320,114</u> | <u>(2,780,695)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares | | 11,557,187 | 12,630,779 |
| Share issue transaction costs | | (583,091) | (731,561) |
| Net cash inflow/(outflow) from financing activities | | <u>10,974,096</u> | <u>11,899,218</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>1,366,506</u> | <u>3,149,524</u> |
| Cash and cash equivalents at the beginning of the period | | 3,806,916 | 657,392 |
| Cash and cash equivalents at the end of the period | 7 | <u>5,173,422</u> | <u>3,806,916</u> |

The above *Statement of Cash Flows* should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Year ended 30 June 2018

1. General information

Breaker Resources NL is a public company listed on the Australian Securities Exchange, incorporated in Australia and operating in Australia. The Company's registered office and its principal place of business is 12 Walker Avenue, West Perth WA 6005. Breaker Resources NL's principal activity is mineral exploration and it is a for-profit entity for the purposes of preparing the Financial Statements.

These Financial Statements are for Breaker Resources NL as an individual entity and are presented in the Australian currency. The Financial Statements were authorised for issue by the directors on 15 August 2018. The directors have the power to amend and reissue the Financial Statements.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Statements are set out below.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**) and Australian Accounting Standards and Interpretations (**Standards**) issued by the Australian Accounting Standards Board (**AASB**). The Financial Statements and notes of the Company also comply with International Financial Reporting Standards issued by the International Accounting Standards Board.

These Financial Statements have been prepared under the historical cost convention. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going concern

The Financial Statements have been prepared on the basis of going concern which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The ability of the Company to continue as a going concern is dependent upon funding to provide adequate working capital for a further 12 months from the date of signature of the Financial Statements. The directors intend to raise capital if it is needed. Therefore, they are satisfied that the going concern basis of preparation is appropriate.

The Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

(b) New and revised accounting standards

Amendments to Accounting Standards that are mandatorily effective for the current year

In the current year, the Company has applied below applicable amendments to Standards issued by the AASB that are mandatorily effective for an accounting period that begins on or after 1 July 2017, and therefore relevant for the current year end.

AASB 1048 'Interpretation of Standards'

The Company has applied the new principal version of AASB 1048 providing an up-to-date listing of Australian Accounting Interpretations, including *Interpretation 22 'Foreign Currency Transactions and Advance Consideration'* and *Interpretation 23 'Uncertainty over Income Tax Treatments'*.

The application of these amendments has had no impact on the Company's financial statements as this is a service standard that ensures there is no difference between the status of Interpretations in the hierarchy between *IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'* and *AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'*.

AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The application of this amendment has not had any impact on the financial statements as the Company has had no liabilities arising from financing activities.

AASB 2017-2 'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016'

Amends *AASB 12 'Disclosure of Interests in Other Entities'* to clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of *AASB 12* for such interests.

The application of these amendments has had no effect on the Company's financial statements as the Company has had no interests in such entities.

ii. New and revised Accounting Standards in issue not yet adopted

At the date of authorisation of the Financial Statements, the Standards applicable to the Company's business listed below were in issue but not yet effective. The potential effect of the revised Standards on the Company's financial statements has not yet been determined.

AASB 9 'Financial Instruments' and the relevant amending standards, effective for annual reporting periods beginning on or after 1 January 2018, expected to be initially applied in the financial year ending 30 June 2019;

AASB 16 'Leases', effective for annual reporting periods beginning on or after 1 January 2019, expected to be initially applied in the financial year ending 30 June 2020;

AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions', effective for annual reporting periods beginning on or after 1 January 2018, expected to be initially applied in the financial year ending 30 June 2019;

AASB 2008-1 'Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle', effective for annual reporting periods beginning on or after 1 January 2019, expected to be initially applied in the financial year ending 30 June 2020; and

Interpretation 23 'Uncertainty over Income Tax Treatments', effective for annual reporting periods beginning on or after 1 January 2019, expected to be initially applied in the financial year ending 30 June 2020.

(c) Segment reporting

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(d) Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

(e) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(f) Income tax

The income tax expense for the year is the tax payable on the current year'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 Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It creates provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred tax income is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws)

that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise these temporary differences and losses. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

(g) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Cash and cash equivalents

For the purpose of presentation in the *Statement of Cash Flows*, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are not subject to significant risk of changes in value, and bank overdrafts.

(i) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(j) Financial assetsClassification

The Company classifies all of its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinate payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cashflows. None of the Company's loans and receivables has an applicable interest rate hence the cash flows are not discounted.

The amount of the impairment loss is recognised in the *Statement of Profit or Loss and Other Comprehensive Income* within impairment expenses. When a loan or receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the *Statement of Profit or Loss and Other Comprehensive Income*.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all of the risks and rewards of ownership.

Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is any evidence of impairment for any of the Company's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the *Statement of Profit or Loss and Other Comprehensive Income*.

(k) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other

repairs and maintenance are charged to the *Statement of Profit or Loss and Other Comprehensive Income* during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. All plant and equipment is depreciated at the rate of 25% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 2(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the *Statement of Profit or Loss and Other Comprehensive Income*.

(l) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms. They are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(n) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and annual leave 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. The short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave that are 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 government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(o) Share-based payments

The Company provides benefits to employees (including directors and contractors) and suppliers in the form of share-based payment transactions, whereby employees and suppliers render goods or services in exchange for shares or rights over shares (**equity-settled transactions**) (refer to Note 18).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of options is determined by an internal valuation using a Black-Scholes option pricing model. The cost of equity-settled transactions is

recognised, together with a corresponding increase in equity, over the period in which any performance conditions are fulfilled, ending on the date on which the relevant employees or suppliers become fully entitled to the award (**vesting date**).

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

- ✘ the extent to which the vesting period has expired; and
- ✘ the number of options that, in the opinion of the directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

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

(p) Issued capital

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

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the *Statement of Financial Position*.

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

(r) Critical judgements, estimates and assumptions

The preparation of these Financial Statements requires the use of certain critical accounting estimates, which, by definition, will seldom equal the actual results. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are:

Environmental issues

Balances disclosed in the Financial Statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors' understanding thereof. At the current stage of the Company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the Financial Statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the Australian Taxation Office.

3. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the full Board via the audit and risk committees as the Company believes that it is crucial for all directors to be involved in this process. The Executive Chairman, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

(a) Market riskForeign exchange risk

As all current operations are within Australia the Company is not exposed to foreign exchange risk.

Commodity price risk

Given the current level of operations the Company is not directly exposed to commodity price risk.

Interest rate risk

The Company is exposed to movements in market interest rates on cash and cash equivalents and bank deposits. The Company's policy is to monitor the interest rate yield curve out to six (6) months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and bank deposits for the Company of \$5,173,422 (2017: \$7,391,438) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Company was 1.53% (2017: 1.98%).

Sensitivity analysis

At 30 June 2018, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Company would have been \$62,987 lower/higher (2017: \$40,244) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount of those assets as disclosed in the *Statement of Financial Position* and *Notes to the Financial Statements*.

As the Company does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Company. Due to the nature of the Company's activities, being mineral

exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings.

The Board constantly monitors the state of equity markets in conjunction with the Company's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Company are generally confined to trade and other payables as disclosed in the *Statement of Financial Position*. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Company at the balance date are recorded at amounts approximating their carrying amount due to their short-term nature.

4. Income and expenses

(a) Income from continuing operations includes the following revenue items:

| | 2018 | 2017 |
|---|----------------|----------------|
| | \$ | \$ |
| Government grant and incentive ⁽ⁱ⁾ | 30,000 | 120,000 |
| Interest income | 207,210 | 159,303 |
| Other | 20,490 | 18,200 |
| | <u>257,700</u> | <u>297,503</u> |

Notes

(i) There were no unfulfilled conditions or other contingencies attaching to the government grant and incentive at the year-end.

(b) Loss for the year includes the following specific expenses:

| | 2018 | 2017 |
|-------------------------------------|------------|-----------|
| | \$ | \$ |
| Depreciation expenses | 103,063 | 48,646 |
| Exploration and evaluation expenses | 13,351,027 | 7,111,915 |

(c) Employee benefit expenses:

| | 2018 | 2017 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Wages and superannuation | 134,940 | 111,400 |
| Directors' fees | 80,000 | 73,333 |
| Annual leave provision | (5,706) | 20,701 |
| Other | 30,423 | 38,170 |
| | <u>239,657</u> | <u>243,604</u> |

5. Operating segments

For management purposes, the Company has identified only one (1) reportable segment as exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves from the Company's mineral assets in this geographic location. Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Company's accounting policies.

| | 2018 | 2017 |
|--|---------------------|-------------|
| | \$ | \$ |
| Segment revenue | - | - |
| <i>Reconciliation of segment revenue to total revenue before tax:</i> | | |
| Government grant and incentive | 30,000 | 120,000 |
| Interest revenue | 207,210 | 159,303 |
| Other income | 20,490 | 18,200 |
| Total revenue | 257,700 | 297,503 |
| Segment result | (13,351,027) | (7,111,915) |
| <i>Reconciliation of segment result to loss before tax:</i> | | |
| Depreciation expenses | (103,063) | (48,646) |
| Other corporate and administration income/(expenses), net | (617,512) | (2,262,492) |
| Net profit/(loss) before tax | (14,071,602) | (9,423,053) |
| Segment operating assets | 399,309 | 251,855 |
| <i>Reconciliation of segment operating assets to total assets:</i> | | |
| Other corporate and administration assets | 5,612,428 | 7,773,182 |
| Total assets | 6,011,737 | 8,025,037 |
| Segment additions to non-current assets | 240,782 | 286,788 |
| Other corporate additions to non-current assets | 64,441 | 7,182 |
| Total additions to non-current assets | 305,223 | 293,970 |
| Segment operating liabilities | 1,046,770 | 774,749 |
| <i>Reconciliation of segment operating liabilities to total liabilities:</i> | | |
| Other corporate and administration liabilities | 181,186 | 168,463 |
| Total liabilities | 1,227,956 | 943,212 |

6. Income tax

| | 2018 | 2017 |
|--|---------------------|-------------|
| | \$ | \$ |
| Income tax expense | | |
| Current tax | - | - |
| Deferred tax | - | - |
| <i>Numerical reconciliation of income tax expense to prima facie tax payable</i> | | |
| Profit/(Loss) from continuing operations before income tax expense | (14,071,602) | (9,423,054) |

| | 2018 | 2017 |
|---|--------------------|-------------|
| | \$ | \$ |
| Prima facie tax benefit at the Australian tax rate of 27.5% | (3,869,691) | (2,591,340) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| × Capital raising costs | (85,164) | (54,827) |
| × Entertainment | 1,841 | 277 |
| × Share-based payment | (223,483) | 504,723 |
| | (4,176,497) | (2,141,167) |
| Movements in unrecognised temporary differences | (49,958) | (40,476) |
| Tax effect of current year tax losses for which no deferred tax asset has been recognised | 4,226,455 | 2,181,643 |
| Income tax expense | - | - |
| <i>Unrecognised temporary differences</i> | | |
| Deferred tax liabilities on income tax account | | |
| Prepayments | 15,256 | 11,928 |
| Plant and equipment | 116,864 | 70,939 |
| FBT payable | 803 | - |
| DTA used to offset DTL | (132,923) | (82,666) |
| Deferred tax liabilities | - | - |
| Deferred tax assets on income tax account | | |
| Accruals | 29,929 | 20,605 |
| Provisions | 12,832 | 13,092 |
| Capital raising costs | 254,533 | 188,313 |
| Carry forward tax losses | 7,222,804 | 4,053,625 |
| DTA used to offset DTL | (132,923) | (82,666) |
| | 7,387,175 | 4,192,769 |
| Deferred tax liabilities | - | - |

In the 2018 income year, the Government enacted a change in the company tax rate based on the type of entity. A company which satisfies a base rate entity test must apply the lower tax rate of 27.5%. A base rate entity is a company that has both an aggregate turnover less than \$25million for the 2018 income year and is carrying on a business. Breaker Resources NL may satisfy the criteria to be a base rate entity. However, currently there is a Bill before the Senate that may alter the position of the tax rate for Breaker Resources NL. The retrospective impact, when enacted, will be only on the amount of the deferred tax asset.

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised. The Company's ability to use losses in the future is subject to the Company satisfying the relevant tax authority's criteria for using these losses.

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise benefits. The utilisation of tax losses

is dependent on the Company satisfying the continuity of ownership test or the same business test at the time the tax losses are applied against taxable income.

The Company participated in the federal government's 2015/16 Exploration Development Incentive Scheme (**EDI**) for eligible exploration entities. As a result the Company has foregone 2016 income tax losses to the extent of \$2,219,306 in exchange for the EDI credits of \$632,502 for the eligible shareholders.

7. Cash and cash equivalents

| | 2018 | 2017 |
|---|------------------|-------------|
| | \$ | \$ |
| Cash at bank and in hand | 5,173,422 | 3,806,916 |
| Cash and cash equivalents as shown in the <i>Statement of Financial Position</i> and the <i>Statement of Cash Flows</i> | 5,173,422 | 3,806,916 |
| Term deposits classified separate to cash on face of <i>Statement of Financial Position</i> | - | 3,584,522 |

Cash and cash equivalents include short-term deposits made for varying periods of between one (1) month and three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

There were no term deposits with maturities over three months as at 30 June 2018.

8. Trade and other receivables

| | 2018 | 2017 |
|-----------------------------------|----------------|-------------|
| | \$ | \$ |
| Prepayments | 55,475 | 43,373 |
| GST receivable and FBT instalment | 238,689 | 232,681 |
| Other receivables | 1,539 | 4,620 |
| | 295,703 | 280,674 |

The carrying amounts of trade and other receivables are assumed to be the same as their fair values, due to their short-term nature.

9. Other financial assets

| | 2018 | 2017 |
|-----------------------------|---------------|-------------|
| | \$ | \$ |
| Term deposits as a security | 70,390 | 69,658 |

10. Plant and equipment

| | 2018 | | | | 2017 | | | |
|--------------------------------|------------------------------------|-----------------------------|----------------------|----------------|------------------------------------|-----------------------------|----------------------|----------------|
| | Furniture & office equipment \$ | Exploration equipment \$ | Motor vehicles \$ | Total \$ | Furniture & office equipment \$ | Exploration equipment \$ | Motor vehicles \$ | Total \$ |
| Cost | 126,454 | 165,650 | 684,475 | 976,579 | 62,013 | 151,769 | 457,575 | 671,357 |
| Accumulated depreciation | (65,644) | (126,588) | (324,228) | (516,460) | (55,909) | (114,218) | (243,271) | (413,398) |
| Net book amount | 60,810 | 39,062 | 360,247 | 460,119 | 6,104 | 37,551 | 214,304 | 257,959 |
| Opening net book amount | 6,104 | 37,551 | 214,304 | 257,959 | 2,827 | 5,591 | 4,217 | 12,635 |
| Additions | 64,441 | 13,881 | 226,901 | 305,223 | 7,182 | 43,051 | 243,737 | 293,970 |
| Depreciation charge | (9,735) | (12,371) | (80,957) | (103,063) | (3,905) | (11,091) | (33,650) | (48,646) |
| Closing net book amount | 60,810 | 39,061 | 360,248 | 460,119 | 6,104 | 37,551 | 214,304 | 257,959 |

11. Prepaid service

| | 2018 \$ | 2017 \$ |
|-----------------|------------|------------|
| Prepaid service | 12,103 | 25,308 |

The Company issued 500,000 options to a supplier in exchange of the use of certain intellectual property owned by the supplier for a period of three years to the year ended 30 June 2019. The prepaid service is being amortised over the agreed period of the use of the property.

12. Trade and other payables

| | 2018 \$ | 2017 \$ |
|-----------------------------|------------------|----------------|
| Trade creditors | 1,056,826 | 787,698 |
| Other payables and accruals | 171,130 | 155,514 |
| | 1,227,956 | 943,212 |

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

13. Contributed equity
(a) Share capital

| | Notes | 2018 | | 2017 | |
|-----------------------------|---------|--------------------|-------------------|--------------------|-------------------|
| | | Number | \$ | Number | \$ |
| Ordinary shares fully paid | (b),(d) | 146,101,594 | 37,004,598 | 127,821,984 | 25,285,714 |
| Ordinary shares partly paid | (b),(d) | 4,665,373 | 46,653 | 5,671,623 | 56,716 |
| Total issued capital | | 150,766,967 | 37,051,251 | 133,493,607 | 25,342,430 |

(b) Movements in ordinary share capital

| | 2018 | | 2017 | |
|---|-------------|------------|-------------|------------|
| | Number | \$ | Number | \$ |
| Beginning of the year | 133,493,607 | 25,342,430 | 106,482,377 | 12,414,330 |
| Issued during the year: | | | | |
| ✘ Fully paid shares issued in exchange for services | 1,036,167 | 734,725 | 2,211,230 | 1,028,882 |
| ✘ Placement to sophisticated and professional investors | 14,285,715 | 10,000,000 | 24,800,000 | 12,400,000 |
| ✘ Fully paid shares under a Share Purchase Plan | 1,951,478 | 1,366,000 | - | - |
| ✘ Partly paid shares converted to fully paid shares | - | 191,187 | - | 230,779 |
| ✘ Transaction costs | - | (583,091) | - | (731,561) |
| End of the year | 150,766,967 | 37,051,251 | 133,493,607 | 25,342,430 |

(c) Movements in options on issue

| | 2018 | 2017 |
|------------------------------|-----------|-------------|
| | Number | Number |
| Beginning of the year | 5,800,000 | 2,500,000 |
| ✘ Issued | 250,000 | 5,500,000 |
| ✘ Expired or lapsed | (400,000) | (2,200,000) |
| End of the year | 5,650,000 | 5,800,000 |

All options on issue are exercisable on a 1:1 basis for the Company's ordinary shares and carry no rights to dividends and no voting rights. The options are exercisable at prices between \$0.40 and \$0.73 and expire between 30 June 2019 and 31 December 2020.

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one (1) vote, and upon a poll each share is entitled to one (1) vote, in proportion to the number of and amounts paid as a proportion of the issue price on the shares held. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

The partly paid ordinary shares have a total issue price of \$0.20 and are paid up to \$0.01. The balance is payable by calls made by the Company no earlier than four (4) years after the date of issue (December 2013). Upon becoming fully paid, each partly paid share will rank equally in all respects with the other issued fully paid shares in the Company.

(e) Capital risk management

The Company's objective when managing capital is to safeguard its ability to carry on as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of capital risk management is the current working capital position against the requirements of the Company to meet exploration programs and corporate overheads. The

Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Company at 30 June 2018 and 30 June 2017 is as follows:

| | 2018 | 2017 |
|---------------------------------|--------------------|-------------|
| | \$ | \$ |
| Cash and cash equivalents | 5,173,422 | 3,806,916 |
| Term deposits | - | 3,584,522 |
| Trade and other receivables | 295,703 | 280,674 |
| Other financial assets | 70,390 | 69,658 |
| Trade and other payables | (1,227,956) | (943,212) |
| Working capital position | 4,311,559 | 6,798,558 |

14. Dividends

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

15. Loss per share

(a) Reconciliation of earnings used in calculating profit/(loss) per share

| | 2018 | 2017 |
|---|---------------------|-------------|
| | \$ | \$ |
| Profit/(Loss) attributable to the owners of the Company used in calculating basic and diluted profit/(loss) per share | (14,071,602) | (9,423,053) |

(b) Weighted average number of shares used as the denominator

| | 2018 | 2017 |
|--|--------------------|---------------|
| | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share | 142,156,382 | 119,577,225 |

(c) Information on classification of options

As the Company has made a loss for the year ended 30 June 2018, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

16. Commitments

(a) Exploration Commitments

The Company must maintain current rights of tenure to tenements, which requires outlays of expenditure in 2018/19. Under certain circumstances these commitments are subject to the possibility of adjustment to the amount and/or timing of such obligations however they are expected to be fulfilled in the normal course of operations.

Estimated expenditure on mining, exploration and prospecting leases for 2018/19 as at the date of this report:

| 2018 | 2017 |
|----------------|----------------|
| \$ | \$ |
| <u>365,000</u> | <u>282,000</u> |

(b) Capital Commitments

There are no capital expenditure commitments for the Company as at 30 June 2018.

(c) Lease Commitments: Company as Lessee

The Company leases its office under a non-cancellable operating lease expiring within one (1) year. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$ | \$ |
| Within one (1) year | <u>45,551</u> | 44,551 |
| Later than one (1) year but not later than five (5) years | - | - |
| | <u>45,551</u> | <u>44,551</u> |

17. Reconciliation of loss after income tax to net cash outflow from operating activities

| | 2018 | 2017 |
|---|----------------------------|---------------------------|
| | \$ | \$ |
| <i>Reconciliation of net loss after income tax to net cash flow from operating activities</i> | | |
| Net profit/(loss) for the year | (14,071,602) | (9,423,053) |
| Non-cash items | | |
| Depreciation of non-current assets | 103,063 | 48,646 |
| Share-based payments of employee options | 64,737 | 1,822,153 |
| Share-based payments in exchange of service | 747,929 | 1,028,882 |
| Change in operating assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | (15,029) | (116,839) |
| Increase/(decrease) in trade and other payables | 243,198 | 671,212 |
| Net cash inflow/(outflow) from operating activities | <u>(12,927,704)</u> | <u>(5,968,999)</u> |

(a) Non-cash transactions

During the year, the Company issued 1,036,167 fully paid ordinary shares to a supplier in exchange for services (refer to Note 13). The value of the shares was included in the Exploration and Evaluation Expenses and charged to the profit or loss account.

During the year, the Company granted 250,000 options to its employees as incentives. The value of the options was included in the Share-based Payments (refer to Note 18).

18. Share-based payments
(a) Employee share options

The Company provides benefits to employees (including directors and eligible contractors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. Options are granted under the plan for no consideration.

The table below summarises the share-based payment options granted by Breaker Resources NL:

| | 2018 | | 2017 | |
|--|-----------|---------------------------------------|-----------|---------------------------------------|
| | Number | Weighted average exercise price cents | Number | Weighted average exercise price cents |
| Outstanding at the beginning of the year | 5,300,000 | 45.6 | 2,000,000 | 48.9 |
| Granted | 250,000 | 73.0 | 5,500,000 | 43.9 |
| Forfeited/cancelled/expired | 400,000 | 40.4 | 2,200,000 | 50.1 |
| Outstanding at year end | 5,150,000 | 43.7 | 5,300,000 | 45.6 |
| Exercisable at year end | 4,900,000 | 46.0 | 4,500,000 | 44.1 |

A total of 400,000 unlisted employee options lapsed during the year. The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.5 years (2017: 2.5 years) and the exercise prices ranged from 43.2 cents to 73.0 cents (2017: 40.3 cents to 69.0 cents).

The weighted average fair value of the employee share options granted during the year was 25.90 cents (2017: 21.44 cents). The fair value of the options was estimated using a Black-Scholes pricing model. Expected volatility was based on the historical movement of the underlying share price around its average share price. The assumption that the historical volatility is indicative of future trends may also not necessarily be the actual outcome.

| Inputs into the pricing model | BRBOPT06 |
|-------------------------------|------------|
| Grant date share price | \$0.510 |
| Exercise price | \$0.730 |
| Expected volatility | 90.1% |
| Option life | 3.05 years |
| Risk-free interest rate | 1.96% |

(b) Other party options

In addition to options issued to employees, the Company may also issue unlisted options to other parties.

There were no other party options granted during the year.

(c) Share-based payments expenses

During the year, an amount of \$64,737 was recognised as share-based payment expenses. An amount of \$742,209 was transferred from the share-based payment reserve to accumulated losses as a result of the lapse of 400,000 options and voiding of 3,000,000 options.

19. Key management personnel transactions

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

| | 2018 \$ | 2017 \$ |
|--------------------------|----------------|------------|
| Short term benefits | 915,589 | 702,062 |
| Post-employment benefits | 31,490 | 29,850 |
| | 947,079 | 731,912 |

There were no loans to/from key management personnel during the year. Detailed remuneration disclosures are provided in the Remuneration Report commencing on page 9.

20. Related party transactions

The Company had no transactions with related parties during the year except for payments to the key management personnel disclosed in the Remuneration Report commencing on page 9.

There were no guarantees provided to related parties during the year.

21. Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

(a) Audit services

| | 2018 \$ | 2017 \$ |
|---|---------------|------------|
| Rothsay Chartered Accountants – audit and review of financial reports | 22,000 | 20,000 |
| Total remuneration for audit services | 22,000 | 20,000 |

(b) Non-audit services

There were Nil non-audit services provided by the auditor of the Company, Rothsay Chartered Accountants, during the year (2017: Nil).

22. Subsequent events

There were no matters or circumstances arising since the end of the reporting period that have significantly affected or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2018.

Directors' Declaration

The directors declare that:

- ✦ the Financial Statements comprising the *Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows* and accompanying notes set out on pages 21 to 38 are in accordance with the *Corporations Act 2001* (Cth), including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- ✦ in the opinion of the directors there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- ✦ a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the *Notes to the Financial Statements*; and
- ✦ the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001* (Cth).

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

On behalf of the directors



TOM SANDERS
Executive Chairman

Perth, 15 August 2018



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**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
BREAKER RESOURCES NL****Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of Breaker Resources NL (“the Company”) which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors’ declaration of the Company.

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

- (i) giving a true and fair view of the Company’s financial position as at 30 June 2018 and of its financial performance for the year 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 these standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the “Code”) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

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

Key Audit Matters

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



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**Key Audit Matters****Cash and cash equivalents**

The Company's cash and cash equivalents make up 86% of total assets by value and are considered to be the key driver of the Company's operations and exploration activities. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence of the Company's cash and cash equivalents included but were not limited to:

- Documenting and assessing the processes and controls in place to record cash transactions;
- Testing a sample of cash payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and
- Agreeing 100% of cash holdings to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in notes 1 and 7 to the financial report.

Exploration and evaluation expenditure

The Company incurred significant exploration and evaluation expenditure during the year. We do not consider exploration and evaluation expenditure to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures in assessing the exploration and evaluation expenditure included but were not limited to the following:

- We obtained evidence that the Company has valid rights to explore in the areas represented by the exploration and evaluation expenditure by confirming the Company's tenement holdings;
- We enquired of management and reviewed work programs on exploration and evaluation on the mineral resources in the Company's areas of interest and cross referenced these discussions to ASX announcements and where applicable minutes of directors' meetings;
- We tested a sample of exploration and evaluation expenditure to supporting documentation to ensure they were bona fide payments; and
- Documenting and assessing the processes and controls in place to record exploration and evaluation transactions.



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We have also assessed the appropriateness of the disclosures included in Notes 1 and 4 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Directors' Responsibility 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 the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx



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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those 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 communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Breaker Resources NL for the year ended 30 June 2018 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.



Rothsay Auditing

Dated 15th August 2018



**Graham Swan FCA
Partner**



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